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THE ELEMENT OF MONOPOLY IN PRICES.

IN the theory of price two terms are in constant use,—cost of production, and expenses of production. The former, though used with ambiguity by Adam Smith, Ricardo, and Mill, is now generally understood to mean the aggregate of those efforts and sacrifices required for making a piece of wealth: the latter implies the money payment necessary to evoke these various efforts and sacrifices. But there is one important fact implied in the passage from cost to expenses of production, the full significance of which is not yet generally recognized. Though cost is a singular noun and expenses plural, the cost of production of a commodity in its commonly accepted meaning, is not presented to us as a single sum, but as so much of this kind of effort, so much of that, so much of the other; while the expenses of production show them expressed in terms of a single commodity, money, reduced to unity. Now, how is this reduction to unity effected? It must

imply a common property in all kinds of effort and sacrifice that are included in cost of production, which can be measured and expressed in terms of money. That is to say, the cost of production which takes into consideration so much of this, that, or the other quality of effort or sacrifice, is not the final possible analysis. Most modern economists reject the abstract conception of "common labor" suggested, though not consistently adhered to, by Ricardo, and adopted by Marx and other socialist writers, as the starting-point of economic analysis. But it seems clear that the reduction of a bundle of heterogeneous efforts and sacrifices to a unity expressed in money, absolutely requires some such common quality, whether of time, productivity, suffering, or an amalgam of these. The measurement is done, and it can only be effected, by reference to some common or abstract quality, which may be called by the name "common labor" as well as by any other, if the term be used in its wide sense, and if capital be regarded, as Ricardo regarded it, as "accumulated labor." This abstract thing, whatever it be called, must be held to lie at the back of cost of production. Nor is it an empty abstraction. It is eminently practical, for we see that it is the real common measure by which "cost" is converted into "expenses" of production. Unqualified or "common" labor may seem impalpable and immeasurable, but it is not really so.

The power of competition to measure and estimate that which has no separate existence, and cannot be conceived apart from other qualities, has often excited wonder. Take, for example, that part of the value of a town house which consists in its proximity to a park or other appreciable public convenience. The size and money value of this advantage in its various degrees as a separate entity admit of no clear grasp or appreciation. Wherever it is found, it is linked with and qualified by innumerable other conditions of house property. Yet we know that competi-

tion estimates so precisely this value, which no individual householder could put a price upon, that, if we took a map and measured distances from the park, we should find a smooth and exact gradation of diminishing prices for the same quality of house as we increased the distance from this value-giving centre. So it will be found that common labor, though in its concrete embodiment it may be always qualified, is capable of quantitative measurement and stands as a basis of natural, or normal, price.

This truth has only failed of general recognition because of the ambiguity which has surrounded a certain term which, belonging to the agent of economic change, is of the first importance in political economy,—free competition. In a state of free competition quantity of effort is the only criterion of value. This abstract "common labor" alone counts; differences of quality or skill have no place in affecting terms of exchange. A clear recognition of this truth is the first requirement in building up a theory of exchange. The following proof will suffice. First, take a case where there is no direct competition, a society of two persons, A and B, A producing a prime necessary, corn, B producing an article of comfort, clothes. What will be the terms of exchange? Assume that A can produce corn only, but can by extended labor produce at least enough to satisfy his own wants and those of B, while B can produce clothes only, but can produce enough for both. Here quantity of labor will be no determinant of rate of exchange. The greater need of B for corn than A for clothes will enable A to obtain the whole of B's possible production of clothes in return for as much corn as will keep B alive and in working order. In a word, B will practically be the slave of A. Now introduce a second A, who shall compete with the first A, so as to yield two competing A's and one B as before. In this society, though the need of B for corn still continues greater than that of A for clothes, the need of B for the particular corn

which belongs either to A or to A^1 is not so great as that of either A or A^1 for clothes. B, by making the two A's bid against each other, will be able to get from one or the other all his corn, except what is required to keep him alive, in return for the minimum quantity of clothes.

Now introduce a second B. You have now a competitive society of two competing A's and two competing B's, each capable of producing an indefinitely large quantity of his special product by increased effort. If each is assured of the ability and willingness of the others to compete, although it will be more urgent for a B to get corn than for an A to get clothes, it will not be more urgent for B to get a particular portion of corn belonging to A^1 than it will be for A to get a particular piece of clothing belonging to B^1 . The effect of free competition has been to eliminate the advantage which previously belonged to the holder of one or the other of the two commodities. The products of A and B will now exchange on equal terms according to amount of effort; that is, the extra effort necessary for A to produce enough corn for B will be precisely equal to the extra effort for B to produce clothes for A. Agreeability or disagreeability of the kind of work will count, as affecting the quantity of effort, but difference in quality or skill of work would have no economic force to affect the rate of exchange. Taking mankind as a whole, it might be twice as difficult to find agriculturists of the ability of A and A^1 as to find tailors of the ability of B and B^1 ; but such differences would count for nothing in the small competitive community of which this formed part.

If it were necessary to use capital—that is, to accumulate labor—in this primitive competitive society, it is easy to see that the sacrifice of waiting, whether it be reckoned as positive or negative effort, would be added to the original labor, receiving from competition an exact value in terms of general human effort or sacrifice, and that,

though labor deliberately bestowed on objects the exchange of which was of necessity postponed would appear to have an advantage in exchange over labor bestowed on objects designed for immediate consumption, that advantage would only measure the sacrifice of waiting added to the original effort of labor. In other words, the sacrifice of waiting would be reduced to a common denominator with other forms of effort. That common denominator may be termed general labor.

From consideration of the foregoing argument we reach the following conclusions: —

1. Free competition is only effective in determining value in the case of commodities where each purchaser or bargainer has, and knows that he has, the choice of at least two commodities competing on equal terms.

2. Commodities of different kinds offered under terms of free competition exchange according to quantity of common labor, which quantity measures cost of production.

The practical bearing of these conclusions may be indicated by the two following corollaries: (*a*) Differences of skill or quality of labor, which do not imply differences of intensity or pain of effort, have no inherent power to affect value or exchange-rate. (*b*) Utility, though a condition of value, has no effect in a state of free competition as a determinant of quantity of value.

Since in every existing community both quality of labor and utility do exert an actual influence in determining value and prices of commodities, it is important to trace the social causes to which these influences are due. First, let us deal with corollary *a*, which seems at variance with the known fact that higher or rarer skill, as distinct from greater effort, does everywhere enable its owner to get a higher price for his labor, and, imbedded in commodities, gives them a high value.

If in any society there continued to be in every point of

it free competition,—*i.e.*, if there were security to every would-be buyer that there would be two genuinely competing persons with equal facilities and willing to deal,—all exchange would take place in strict accord with quantity of labor. Assuming that an hour's work of a doctor represented no more actual effort to him than an hour's work of an ordinary day laborer represented to him, the two would be paid at the same rate if it were equally easy for a would-be purchaser of "healing" to find two genuinely competing doctors as for a would-be purchaser of day labor to find two competing laborers. It is not because the doctor's labor is more highly skilled that he gets the higher wages, but because this skill (assisted in the case of medicine by special artificial circumstances) renders it less probable that he will, in respect to each particular sale of his skill, be obliged to compete on equal terms with another doctor. If any society were to establish free education in every grade, with special bounties for the encouragement of professional training, it might rapidly come to pass, assuming competition in the professions and the right to undersell, that professional wages would fall to the level of common day labor. This is indeed a commonplace, well illustrated in modern civilized countries by the fall of wages of clerical labor, once highly paid, to the level of manual low-skilled work. But, though this is constantly before us, we are slow to recognize what it means. Skilled labor only gets a higher price for the same quantity of effort than unskilled labor by virtue of the fact that at various points the element of skill creates a monopoly for its owner, so as to place him in the position of an A from whom B is compelled to buy what he needs, or in the position, superior still, of an A from whom two B's seek to buy. If his skill as a commodity were absolutely necessary to one or both of his would-be purchasers, he would wield the full power which A held in the first illustration. But his monopoly is generally qualified in one of

two ways which will receive closer attention later on,—by the fact (1) that there are other competitors, but less conveniently placed; (2) that the would-be purchaser can either dispense with the commodity or replace it by an inferior substitute.

It is, then, not the quality of the skill, but the rareness, which gives the economic advantage. Even the term "rareness" is misleading; for rareness has no power to raise value unless it assumes a position of monopoly at certain points in the market, unless it is at various points the *only* commodity of the kind directly available. A loose conception of the *modus operandi* of those favorite terms "supply" and "demand" is responsible for the failure to grasp this real nature of value-change. Using the term "demand" in the only sense in which it can be properly correlated to supply, to express money actually offered, it is, of course, true that the only direct cause of price-change will be a change in the quantitative relation of supply and demand. But, if we ask ourselves how a restriction in supply raises price, we shall see that it is only by placing all or some of the portions of the restricted supply in a position which gives the would-be purchaser no choice between this and some other portion, or induces in him a fear lest there should be no other portion equally available; such a fear of monopoly, in proportion to its intensity, acting in the same way as actual monopoly.

This, which is generally recognized as the mode by which fluctuations in price are produced, should also be recognized as the sole explanation of the more stable differences in value between the same quantities of different kinds of labor. The gradation of wages which marks different degrees of skill of labor is entirely due to and dependent on and measured by the gradation of the pressure of monopoly at the several points. Diminish this pressure in the case of any skilled work, so as to yield a

greater option of purchase to the average purchaser, and the price descends towards the level of cost of production. Increase the pressure, and the price rises towards the limit imposed by the absolute utility of the commodity in question. Quality or skill of labor produces its effect on price entirely because of the operations of social causes independent of the owner of that skilled labor.

Now let us turn to corollary *b*, relating to the influence of utility on price and value.

Where effective freedom of competition exists,—that is, where every one who wishes to buy an article has perfect security of the existence of two competing owners equally willing to supply it,—the absolute utility of the article to the would-be purchaser has obviously no influence upon the price he pays. He will obtain the article at a price representing the “expenses of production”; and, if the labor of which it is composed were subject to free competition, the “expenses of production” would measure the quantity of general labor put into it. But where this security of option, this perfect freedom of competition, does not exist, the element of utility exerts an appreciable influence on price. But this influence cannot, any more than in the case of skill, be regarded as due to a quality inherent even temporarily in the article whose price it raises. A starving man entering the nearest baker’s shop might, if the baker knows his power, be charged a high price for the loaf he buys; and it might be urged that the power which enabled the baker to exact this high price was a quality of special utility bestowed upon the particular loaf that was sold by the absolute need of the purchaser. Thus it is that utility comes often to be regarded as an attribute of a commodity which may raise its value. Looked at, however, more closely, it will appear that this utility which seems to enhance the value of the loaf is not an attribute of that or of any loaf, but depends upon and expresses the relation between that loaf and the nearest available loaf or

other form of food which can be purchased from another competing vendor. The utility which enables our monopolist baker to charge an excessive price for the loaf is measured not by the absolute need of the starving man for a loaf, but by the difficulty the man will have in going to another more distant shop or in obtaining from elsewhere some other kind of food. The degree of urgency of the man's need will be, of course, one determinant of the measure of difficulty involved in seeking other food, and will thus affect the quantity of utility in the loaf which is held to determine its high price. But, except in the most extreme cases, the principal determinant of the quality of utility said to be existent in the loaf, or in any other commodity purchased under terms of restricted competition, is the position or availability of other supplies. That is to say, in most cases where absolute utility figures as an element in determining price, that utility is itself resolvable into terms of monopoly, and merely represents the difficulty involved in securing option of purchase. In a word, it is not the utility of the loaf, but the degree of monopoly possessed by the baker, which enables him to take a high price. Let the hungry man know of another baker in a neighboring village, and the economic power of the first baker is limited by the difficulty of reaching the other baker. Let other food less desirable than bread be on sale within the same village, and his economic power is limited by the qualitative advantage attaching to bread as compared with the other food. Bring the other baker into the same village or raise the desirability of the other food to that of bread, and the whole economic power of our baker is seen to have rested upon degree of monopoly, and to have disappeared with freedom of competition. The inherent utility attaching to certain articles of consumption which are styled necessities is thus seen to have no direct influence as a determinant of values. The need of a particular article or class of articles for consumption

does not determine the quantity of monopolic power or the extra price which can be got by a monopolist: what does determine is the extent of the monopoly,—that is, the difficulty of bringing some other portion of supply into effective competition with that held by the monopolist.

Having shown that in a state of free competition exchange will take place by equation of different embodiments of a common quality of effort, and that every departure from this rule, as in the case where special skill or urgent need gives to any commodity a higher value, implies a restriction of competition,—that is, a degree of monopoly,—we are enabled to reach a general law of price-movement, the brief and simple expression of which is that *the price of an article measures the importance to the purchaser of obtaining that particular article*. Whatever considerations seem to affect the price a person pays for an article, the skill of the labor contained in it, or the urgency of the need, or the limitation of supply, affect the price of each particular article only by making it more important for the particular purchaser to get it.

But, it will be urged, how does this square with the theory that marginal utility measures price? A hungry man receives a sum of money, enters a baker's shop, and buys ten loaves of bread for immediate and future consumption. It is surely more important for him to obtain the first loaf than the tenth, yet he pays the same price for each. Possibly, if others were in the same case, he might pay even a higher price for the tenth than for the first.

The answer is that, though it is more important for him to get bread when he is on the point of purchasing the first loaf than when he is on the point of purchasing the tenth, it is not more important for him to get the particular loaf he designs to buy. So long as he is assured of the existence of a competing supply, the urgency of his personal need for bread has no power to give importance to the need for a particular loaf. This distinction between

bread in general and a particular loaf is no quibble, but a distinction of the first practical importance. In supposing that the hungry man paid the same price for the first as for the tenth loaf, we assumed a genuine competition for custom among bakers. If the man entered a village where there was a single baker who knew his case, this baker would be able to get from him a higher price for the first loaf than for the second, and the price would descend with each loaf he bought until it fell to the ordinary price of the place. For in this case the importance not merely of obtaining bread, but of obtaining the particular loaf offered for sale, would descend with each purchase. Moreover, the size of the monopolist baker's stock would have no effect in determining the prices of the various loaves. But where the buyer was assured of the competition of two bakers, though the aggregate supply might be no greater than before, the presence of free choice would place the first purchase on a level with the tenth so far as the importance attaching to any particular loaf was concerned. Assuming that, although general competition between two bakers was present, owing to a temporary reduction in supply, the price of the tenth loaf was higher than of the first, it would signify that, along with a declining importance attaching to bread, there was an increasing importance attaching to each individual loaf, owing to the fact that the general competition between the two bakers was, in consequence of a general restriction of supply, not operative in securing free competition of two competing loaves for every would-be purchaser during the last period of purchase.

Thus, given a freely competing supply, the importance attaching to each general article and its price will be unaffected by the diminishing importance attaching to the commodity in general. Any increase in price will be directly due to the increased importance of obtaining the several articles, and will be due to such restriction of

supply as, applied to particular cases, placed the seller in a position of monopoly.

The statement that the importance of each general article to the purchaser measures its price reconciles the two sometimes conflicting influences upon price attributed respectively to condition of supply and demand, and utility. Each of these acts by increasing or diminishing the importance of a particular article to a particular person. Where the need for bread stands firm, a shrinkage in supply will increase the importance of each particular loaf to a would-be purchaser. Where the need for bread is more urgent,—that is, the utility of bread greater,—monopoly prices can be raised.

This general law of price is, of course, in no contradiction to the statement that the price of a commodity measures its final or marginal utility, the utility of that which the purchaser is last induced to buy, and that the earlier purchases yield a consumer's rent. But though the importance of getting a tenth loaf, and its utility after it is got, are much less than is the case with a first loaf, the importance of getting *the* particular tenth loaf is as great as that of getting *the* first one, and therefore the price is the same. The need or utility is only a condition of an act of purchase; and, though under given conditions of supply and demand it may be said to determine the number of purchases, it can never be rightly said to *determine* the price where there exists competition. Final utility measures price, but does not in any way determine it. What determines the price of a particular article is its importance to the purchaser: what determines the normal price of a class of articles is the average importance of each to the average purchaser. This average importance would in a free competitive society depend entirely on the quantity of common labor power bestowed on the article. In an actual commercial society there will be added to this primary cost of production a number of monopoly rents,

measuring the various restrictions in supply which at different stages in production have enabled various classes of producers to raise the "expenses of production" above the limit indicated by natural "cost of production."

The advantage of this mode of measurement is that it shows us, under the vague term "supply and demand," whose fluctuations are supposed to be responsible for price-changes, the real agent—economic monopoly—in its Protean shapes. When this is clearly grasped, it will be seen that the same principle is responsible, not only for the high prices of agricultural produce and the high rents drawn by owners of natural monopolies, for the enormous prices and profits of successful corners and trusts, for the abnormally high pay given for certain kinds of labor, but for every change, normal or market or incidental, in the price of a commodity. Every rise of price, whether individual, local, or general, is due to such a change in the relation of supply to demand at the previous price as implied an increased probability of any would-be purchaser finding himself faced by a monopolist who would be able to screw up the price to a point just below that which would bring a competitor into the field and restore the element of option to the purchaser. Restriction in supply can only operate to cause a change in price by producing a condition of actual monopoly at various points in the market.

So far, we have dealt with the price of commodities sold to consumers. But it will be obvious that the monopoly element in the price of these is merely an amalgam of monopoly prices of the use of the requisites of production. It is to these latter that we must return for an explanation of the origin of monopoly in prices.

Consideration of the many different uses to which a piece of land may be put requires a restatement of the Ricardian law of rent. If in a community there were but a single use of land,—to grow wheat,—it is evident that

the rent fetched by any piece of land would measure the superior wheat-growing quality of that land as compared with the worst land at the margin of cultivation, and that rent could not figure in the price of wheat. But where there are many uses for land, and all land is not equally well suited to each use, it will be evident that the worst land employed for a particular use may be land paying a rent. The simplest case is of course that of town lands, where the land at the margin of employment for town purposes is not no-rent land, but land commanding high agricultural rent. This rent paid at the margin of employment enters into town prices, and forms an element of monopoly in the "expenses of production" of manufactured goods. It will be equally evident that within the town, where a central position is essential for a special business, land at the margin of employment for this purpose will pay a high town rent, and this rent will enter into price. So with each special determination of the use of land a specific rent is added, the rent at the margin of cultivation rising in each case. What applies to town uses applies also to the agricultural uses of land. The worst land employed in growing hops or vines may yield a rent, provided that it is above the margin of employment for wheat-growing or other common agricultural use. The worst land employed for market gardens yields a rent which figures in the price of vegetables.

Thus we get the idea of a number of specific rents for land which figure in the prices of commodities and which cannot be knocked off by the higgling of the market. If we apply the same consideration to the other requisites of production, the prices of the use of which are imbedded in the market prices of commodities, we shall get the same results.

Corresponding to the no-rent agricultural land is the common unskilled labor which commands a bare subsistence wage. In order to bring the three requisites of pro-

duction into line, this bare subsistence wage might well be regarded separately, and even named separately, from the higher wages paid for more fortunately situated labor. The bare wage paid to maintain the daily labor power of the worker and to enable him to reproduce and rear his successor corresponds with tolerable accuracy to the money spent in replacing the wear and tear of machinery and other forms of plant. As these necessary business expenses are not reckoned under profit, so it is reasonable that the bare subsistence wage should be carefully separated from any superior wage or profit which may come to labor. Or, taking the third requisite of product, land, subsistence wages correspond to that replacement which either Nature herself or the art of man makes to the exhausted soil. Nature does this without money and without price, but the artificial restoration effected by man corresponds precisely to the bare subsistence wage of labor. If the food and clothing necessary to maintain labor in mere working efficiency be regarded as wages, and these wages are held to enter into price, so it may be correctly argued that the money expended in replacing the wear and tear of machinery figures in price, though it is not counted as profit; for, if machinery did not wear or tear, or if Nature replaced such waste, as in the case of land, prices would certainly be lower to a corresponding extent. Or, if the term "wages" were kept to denote this replacement of the wear and tear of labor, the application of the term "rent" to all higher payments would make the analogy with land complete.* For it would then be speedily recognized that special forms of either skill or opportunity in labor establish specific grades of labor, which draw specific rents of labor, just as fertility conjoined with social demand for special kinds of produce

* The analogy in the working of the three factors in production, obscured by common inconsistent economic terminology, is discussed by the present writer in a paper on "The Law of the Three Rents," in this *Journal*, April, 1891.

establishes specific grades of land with special rents. So also, just as mere fertility or productiveness has no power enabling land to get a specific rent unless there is a social demand for the particular produce to which the land is specially adapted, so in labor power a natural aptitude only draws a specific rent on condition that there is a social demand for its use. Just as at a given time we might grade the land of a country like England from the poorest pasture land upwards by steps to the most valuable species of town lands, with a number of specific rents obtainable by the worst land in use for each several higher purpose, so we might grade the labor from common unskilled manual labor up to the most skilled professional intellectual labor, each earning a specific rent of labor for the worst individual of that species in full actual employment. So a mason will earn a specific rent over the wages of the unskilled laborer, which may be reckoned from the earnings of the worst mason in regular employment, just as the rent of hop land or city building land can be reckoned from the worst land in use for these purposes. The engraver in regular work will get a further specific rent over and above that of the mason: the surgeon, the barrister, will obtain still further specific rents. There are a number of grades of labor drawing specific rents; and each of these rents, as in the case of land, enters into the expenses of production figuring in price. The fact that there are many barristers and surgeons who earn much less in a year than the average stone-mason or engraver is nothing to the point. For the work they do they receive a higher rate of pay. In order to be able to grade the rents of labor by the annual return, as in the case of land, we should of course be obliged to assume a constant employment of labor. The greater irregularity in the employment of labor than of land, however regrettable, has no force to abate the right application of this theory of specific rents. The rents of the various species of labor are,

of course, by no means absolutely stable. They are always fluctuating, as are the specific rents of different kinds of land, with changes in the public demand as compared with the available supply. The changes in the relative values of different species of land in the growth of a nation, to which economists have drawn so great attention, are equally discernible in the case of species of labor. But, taking a given country at a given time, we find grades of labor drawing specific rents, each of which figures at the margin of employment for a particular use, and is maintained by the pressure of monopoly at the several points in the market.

If it were always as easy for any one in need of surgical aid to find two equally competent surgeons, willing to undertake the work and to underbid each other, as it would be to find two porters to carry a parcel through the streets, the price of surgical aid would be the same as the price of portage, and the knowledge and skill required for surgery would have no power to exact wages higher than measured by the actual exertion or sacrifice involved at the time in the work to be performed. Specific rents of labor, as of land, are maintained exclusively by the force of monopoly, and vary with any change in social demand or supply which affects that force.

The treatment of specific rents of capital is complicated by various circumstances. Specific rents of land are liable to be reckoned among profit or rent of capital, as in the case of railways and canals. So, too, specific rents of labor or ability are often merged with rents of capital, so as to be indistinguishable, as in most private and some joint-stock businesses. But it will be admitted that there are certain species of employment of capital which, apart both from considerations of land values and of ability of management, are able to yield specially high rates of interest. English banks yield an average interest upon capital of about six per cent., gas-works yield to their

original shareholders some eight per cent. There are many employments which are exempted from the full force of trade competition, and which pay to their original shareholders an interest far higher than what is required to procure the use of capital in the market. It is, of course, difficult to show in the case of any individual business that a high return on capital is not due either to skill of management, special risks, or to some stroke of individual good fortune. But, when we see the advantage common to whole classes of business, we are compelled to admit that there are qualities in the investment of capital which correspond to the degrees of special use in land or in labor, and which can command a specific rent or interest over and above the common rent of (say) three per cent., which is sufficient to induce the application of capital.

In the case of investments of capital, the distinction is undoubtedly one more difficult of application than in the case of the other requisites, partly from the difficulty of regarding capital as distinct from skill of management, and partly from the more complex and rapid character of the fluctuation in the values of respective species of investment. The following, however, may be taken as a brief statement of a few of the leading qualities which in capital correspond to fertility or geographical position of land and to skill in labor, and which enable certain pieces of capital to draw a specific rent: (*a*) Certain economies in the use of capital which favor large masses of capital as compared with small, or (*b*) which secure for them a monopoly of certain employments; such are banks, large loans, and other speculations. (*c*) Professional, class, or other social opportunities, (1) giving capital in possession great advantages over capital seeking investment; (2) giving capital attached to social position, local environment, skill, nationality, its certain advantages. (*d*) State or municipal monopoly or aid. The first two

of these, alone or with the aid of (*c*) and (*d*), may raise the specific rent to a rent of monopoly measured only by the absolute need of consumers, as in case of certain trusts or corners.

We are now able to bring the three requisites of production into line in respect of specific rents. There are certain qualities of fertility or position or appearance in land, of skill or opportunity in labor, of size, character, or artificial aid in capital, which give special kinds of land, labor, capital, special aptitude for special purposes, enabling their owners to draw specific rents in addition to the ordinary rent at the margin of employment of common land, labor, or capital. In each case, this special rent is a monopoly rent, attributable to the fact that a limited supply gives the owner a monopolic power in dealing with a would-be purchaser.

The specific rent in every case, though normal, is subject to fluctuations. In land, improvements in agriculture, change in quantity of demand for special commodities, opening up of new lands, growth of population or other social changes, political changes, may effect gradual or sudden changes in the monopoly values of special kinds of land. In labor, spread of technical or higher education, change in social estimates regarding respectability of work, mobility of labor, organization, may shift specific rents of ability. In capital, growth of joint stock or other corporative movements, mobility of capital, breaking down of class or national barriers, improvements in the arts of manufacture, political and social changes, are continually operating to change specific rents.

In a word, these qualities in land, capital, labor, which secure specific rent, are not, as rent-producing factors, inherent or stable. Though the skill of a physician will always differ from that of a writing clerk or a hodman, that difference of quality is no security that the difference

in value of the kinds of work shall continue. So, too, in regard to the different kinds of land and occupations of capital. Inherent as these differences may seem, this inherence is no security for a continuance of the present quantitative relation between their values. The history of the evolution of industry is constantly engaged in noting the changes in the specific rents of various kinds of the requisites of production. Some of these changes are slow and slight, others are rapid and large, but there is incessant movement. The wants and ways of man determine values. So far as these endure or are slow to change, values endure or slowly change. When man changes rapidly, so do the values related to his wants and ways. The qualification of the Ricardian law of rent which Carey introduced, by pointing out the fluctuating relation of different lands with the growth of a nation, applies in the application of this same law of rent to capital and labor. Just as the respective value of different pieces of land at the order in which they are called into cultivation at the settlement of a new country, is no indication or guarantee of the respective value of these pieces when the whole country is settled and densely populated, so it is with the different kinds of capital and labor. Various social and economic forces are always at work silently shifting the relative value of the different forms of capital and labor power.

The element of time, as Professor Marshall admits, is largely responsible for the difficulty of most economic problems. So here in regard to prices. Economists have come to look upon the enduring or slowly changing differences of value between high-skilled and low-skilled labor, between various qualities and uses of land, as radically distinct from the more rapidly fluctuating differences in market values. When we recognize that the former just as the latter are due to restrictions of supply which are effective by establishment of monopoly, the notion of a

generic difference between normal prices and market prices will wholly disappear. Closer examination will reveal a fairly even gradation of degrees of endurance of monopoly in respect to different objects of sale. Everywhere change and the degrees and rates of change are of infinite variety, and every wave of change is made up of smaller waves, each of the latter being likewise subject to smaller fluctuations still. But these changes, great or small, are all due directly to a changing pressure of monopoly, acting through restriction or expansion of supply in relation to demand.

In every case of the use of a requisite of production there is the generic rent,—the inducement to the holder to apply the land, capital, or labor he holds to the production of wealth. In the case of land, this generic or marginal rent stands at zero, or, strictly speaking, the lowest point above zero, because the smallest rent will induce the owner of land to allow its use rather than allow it to be idle. In the case of capital or labor, this generic or marginal rent must, if we retain the ordinary use of terms, be a high, even though fluctuating quantity, necessary in the case of capital to overcome the tendency to immediate consumption of owned wealth, and to provide for the continuity of this abstinence; in the case of labor, to overcome inertia and to provide a minimum subsistence of labor during the continued exertion of labor power. Thus the use of the common quality of land may be obtained for a nominal rent, that of the common quality of capital for (say) three per cent., that of the common quality of labor for (say) fifteen shillings. Town land, bank capital, managing labor, obtain, in addition to this generic rent, a specific rent, required to induce under conditions of monopolic supply the special application of a requisite of production. It will be evident that within each of the broader species of requisites which draws a specific rent there are sub-species which draw a higher sub-specific

rent, figuring in the price of those commodities whose production it is required to induce, just as the lower specific rent of town land or banking figures in the price of town houses or bank accommodations. Indeed, this refinement of subdivision may be carried to any extent. Wherever there is a specific difference in the character of land, labor, or capital, which limits the quantity available for specific use, a special rent is added to the nominal rent of land, the three per cent. of capital, and the fifteen shilling price of labor, and forms a special element in the price of the commodity into which it enters.

It is only when, having carried specification to its highest degree, we come to deal with differences of individuals within the same species, that we reach an element which does not enter into price. As the price of each individual commodity in a species measures the expenses of production of that which is produced under the least favorable specific advantages, the superior individual requisites which enter into the production of that species command an individual rent of monopoly which is not represented in the price. This element of individual value within each species or sub-species must be carefully distinguished from the element of specific value. Specific values and their fluctuations are seen to be due entirely to social causes. But, given a specific value, the individual value is independent of social action, being inherent in the individual. If a particular species of land or labor is in use, the relative value of the several portions of that species is not determined by social, but by what may for convenience be called inherent natural causes.

The mistake of the old economic theorem that rent did not enter into price consisted in ignoring specific differences and regarding all differences as individual. Thus each piece of land was compared with pasture land at the margin of cultivation; and, since the latter paid no rent, it was concluded that rent did not enter into agricultural

prices. But, in a country where the worst pasture land in use pays no rent, it is likely enough that the worst corn land in use pays a rent; the worst hop lands or fruit orchards will certainly pay a higher rent; the worst market garden a higher rent still. Assuming that the worst market garden was capable of use as an orchard, a corn-field, and pasture, its rent will evidently include the specific rents of their inferior uses, all of which will thus figure in the price of market-garden produce. Nor is this all. Not only will the specific rent of an orchard, a corn-field, a pasture field, figure in the rent and price of a market garden and its produce, but this will form a minimum. The individual rent which the land would be able to draw for its individual advantages in the capacity of orchard will enter into the specific rent of the market garden. That is to say, if the worst market garden were a good quality of orchard, capable of bringing in to its owner not only the specific orchard rent which figured in price, but a rent representing its individual superiority over the worst orchard, this individual orchard rent would be added to the specific orchard rent to make the specific market-garden rent. Assuming there is in a given piece of land a pasture use, a corn-land use, an orchard use, a market-garden use, the rent for each use will include the specific rent of the lower use, plus the individual rent of the lower use, plus the individual rent of the higher use, the two former figuring in the price of the produce of the higher use.

What applies here to land applies precisely in the same manner to capital and labor. Starting from a minimum subsistence wage and interest, each higher special use brings a specific rent based on the lower specific rent plus the lower individual rent; and this higher specific rent will figure in price.

Thus we reach a theory of price capable of clear statement. The foundation of price is cost of production,

which measures the quality of common effort. To this are added a number of specific and subspecific rents of monopoly, paid for the use of various special qualities of land, labor, capital, at various points in the process of production. These specific and subspecific rents, added to the cost of production, make up what is called the expenses of production. The cost of production measures the quality of individual effort involved in production. The specific and subspecific rents measure the effect of social forces in assigning special social values to special qualities or kinds of each requisite of production. The difference between cost of production and expenses of production, the element of specific rent, is a value due entirely to the action of society. It is created by society, and is of right a social property, even as that cost of production which represents the effort of the individual is individual property. This claim of society to a property in the specific rents at present enjoyed by individuals is entirely independent of the question of the claim of the community to the ownership of the natural resources, or of the further question whether the community could or should, by the substitution of social for individual abstinence, obtain the ownership and use of the capital required for forwarding production.

J. A. HOBSON.

THE CATHOLIC CHURCH AND ECONOMICS.

DR. INGRAM concludes his masterly review of the history of Political Economy with these remarkable words: "The solution must be at all times largely a moral one: it is the spiritual rather than the temporal power that is the natural agency for redressing or mitigating most of the evils associated with industrial life. . . . The only parties in contemporary public life who seem rightly to conceive or adequately to appreciate the necessities of the situation are those that aim, on the one hand, at the restoration of the old spiritual power, or, on the other, at the formation of a new one."

Many students of social and economic science will, doubtless, not be ready to carry their admissions so far. But they can scarcely fail to acknowledge that the spiritual power has been a factor of great importance in the development of civilization, and, therefore, of economic ideas and methods, and that it is likely still to be such in the future. Hence a study of that relationship, although necessarily brief and imperfect, will, it is hoped, not be devoid of interest.

Pope Leo XIII., in his recent encyclical "On the Condition of Labor," naturally dwells at length on the point so concisely, yet so forcibly, stated by Professor Ingram, — that the efforts of social reformers can never succeed in their laudable purpose without the co-operation of religion and the Church. It may well be asked, What precisely does the pope mean by this? Just how far would he have church control go in the matter? That this question may be answered clearly, it is necessary first to show what the pope does not mean, how far church control would not go.

In the first place, then, let it be held for certain that the Catholic Church would not, if it could, turn social and economic conditions into a system of theocracy. There is no provision for theocracy in the gospel, as there was in Deuteronomy and Leviticus. Nor would she, if she could, re-establish that social system, not indeed a theocracy yet somewhat analogous thereto, which was the condition of Europe in the earliest epoch of the Middle Ages. Then the Church had necessarily to civilize as well as to Christianize the tribes of barbarians. It was essentially an *initial* condition of the peoples of Europe, the childhood of their civilization. Such a condition has since existed in the Catholic Indian missions of Paraguay and elsewhere. But it is only in that earliest stage of popular development that such a system could be useful or justifiable. Human society, like every human individual, must pass through the tutelage of childhood before reaching the independence of manhood. But childhood and tutelage are meant only for manhood and independence. They are initial and transient conditions, and can no more subsist in society than in the individual. And a reversion to them, when maturity has been reached, would be as preposterous in the one as in the other. The Catholic Church contemplates or desires no such folly. Every such assertion — and the assertion has often been made — is an appeal to unreasonable credulity, which can only provoke a smile in any intelligent Catholic or in any impartial thinker.

Neither does the pope mean that the Catholic Church has any system of economics which she would wish to impose upon the nations of the earth, or which she would even recommend to them. The school of political economy now passing away is commonly charged with having held that economics were, like mathematics, an *a priori* science altogether, and that the formation of a complete system was simply a deductive process. The Catholic

Church has never viewed the matter so. She has had the experience of all the ages of modern history, and it has shown her, what the "historical school" of political economy have of late been trying to make clear, that economic conditions depend on social and political conditions, and modify themselves with the constant modifications of the latter. Even *doctrinaires* have abandoned the hope of formulating an economic system which would suit always and everywhere. The Church never entertained so chimerical a notion. She has principles to teach which should underlie and animate systems in all their inevitable modifications; but she has no system to offer as the perfection of economic conditions or as a panacea for all social ills.

And here it is well to note the remarkable fact that, while she has shown herself in all ages ready and fruitful in meeting every need of suffering humanity with her wonderful array of organizations of charity and zeal, yet even these have, as a rule, not been devised by the Church's authority. They have been, in nearly every case, the work of individual initiative. They have been the spontaneous outgrowth of the spirit of Christianity in individual men or women who saw the need of the time, were impelled by the spirit of Christ in them to devote themselves to supplying it, were freely joined in the good work by others animated like themselves, and so built up the orders of charity with which the Catholic Church has covered the world. It was her spirit that prompted them, her authority that approved them and saw to the wisdom of their rules, her fostering care that developed them to their full usefulness; but their inception has sprung from the perfect freedom of individual perception of needs and individual devotedness in supplying them. She has given the principles; she imparts the spiritual power: the system has, it may be said, formed itself.

From the fact that the Catholic Church offers the world

ethical and religious principles which, she maintains, ought to regulate all economic systems, it is quite evident that she repudiates the school of economics which, under various names and forms, has been substantially the same during the past two centuries; namely, the school of unlimited freedom, or rather license, of contract,—the meaning given by it to the greatly distorted and misused principle of *laissez-faire*. The fundamental idea of that school, as exposed by competent authors, has been “the economic man,” a being influenced by two motives only,—to acquire wealth and to avoid exertion, a “money-making animal,”—with its correlative notion that political economy is “the calculus of pleasure and pain.” Its openly avowed principle and motive of action has been “selfish gain,” which, it asserted, was the best guarantee of gain to the community also. It was thus a system avowedly without heart and without ethics. No wonder that it has regarded the workingmen, in the strong language of the pope, as “mere instruments for making money,” “chattels to make money by, merely so much muscle or physical power.” No wonder that it has worked out the conditions under which humanity is now groaning, and for whose remedy governments and social reformers are seeking so anxiously.

“The Manchester School is gone,” says Rae;* and few there are to mourn its departure. And why? Because, some will answer, it was based on a wrong notion of wealth and of the best means for its attainment. Because, all reflective minds must acknowledge, it was based on a wrong notion of humanity, on a false philosophy of human nature, of human rights and duties, of the moral principles which should control the relations between man and man. The effort has, indeed, been made to divorce economics from ethics. Writers of distinction have declared that political economy was not a science of right

* *Contemporary Socialism*, p. 368

and wrong, but a science of utility. Far more truly does De Laveleye say: "It is in the code of morality that economic laws have their roots. . . . The good, which is the object of morals, and the useful, which is the object of political economy, though not to be confounded, are inseparable."*

Nay, the writers who have the farthest removed political economy from what the civilized world understands by ethics have done so in the name of a system of ethics springing from a philosophy of their own. To understand this, we must look back to the origin of the school of economics for which the world is now seeking a substitute. Thus to get at the very root of the system is the only way to rightly understand its nature and its defects, and to see where the remedy is really to be found.

It is easy to trace back its pedigree from Smith to Hume, from Hume to Locke, from Locke to Hobbes.

During the first half of the seventeenth century Hobbes was the chief embodiment of the spirit which formed the critical school of philosophy, destined to wield for more than two centuries a tremendous influence on human thought and action. Starting with the principle of individualism then fermenting in the mind of Europe, this school carried it fearlessly to its legitimate conclusions. Its development was in many countries hindered or deflected by conservative notions and influences of various kinds. Hobbes was independent of them all. He pushed his premises to their consequences with fearless honesty, and wrought them into a complete system of metaphysics, morals, religion, and law. In metaphysics the principle of individualism, basing all knowledge on individual sensations, eventuated in boldly professed materialism. Morals, starting from the premises of materialism and individualism, reduced good and evil to personal pleasure and pain, and transformed right and wrong and duty into the attain-

* *Éléments d'Économie Politique*, I. 1, c. 2.

ment of personal comfort and advantage and the avoidance of personal discomfort and disadvantage. Religion vanished in absolute scepticism, or lingered only as an instrument of restraint in the hands of government. Every man being intent on his own comfort and advantage as against every other man, life is a warfare and the world a battle-field. Government and law are, therefore, a necessity to keep the peace; and they should be absolute in their control of life in all its departments, in order to hold universal selfishness within safe bounds.

Very few of the followers of Hobbes have had the brutal honesty of their master. Locke held substantially the same metaphysical principles, and developed a system of individual sensationalism, but shrunk from openly professing its logical consequences, materialism and scepticism. His moral principles were as utilitarian as those of Hobbes, but his goodness of heart withheld him from carrying them to the same harsh conclusions, and caused him to demand more freedom for individual action and to limit governmental control within narrower bounds.

Hume began at the same starting-point, and was bolder than Locke, though not so outspoken as Hobbes, in the development of his principles. Reducing all knowledge to the impressions of the individual mind, and seeing no criterion for their value, he accepts scepticism absolutely. Scepticism in metaphysics demands scepticism in religion. He was logical, therefore, in warmly congratulating Gibbon on his *Decline and Fall of the Roman Empire*, perhaps the most insidious attack ever made on the Christian religion. Morality must share the fate of metaphysical certitude and of religion. He unhesitatingly teaches that its basis and motive is utility; that the right or wrong of actions must be decided by the useful or pernicious consequences resulting from them. He very naturally found a congenial spirit in Rousseau.

Adam Smith was an intimate associate of Hume. Be-

fore he developed his theory of economics, he was for several years professor of logic, natural theology, and ethics; and it was in these studies that he found the principles of his *Wealth of Nations*. His starting-point, like that of his predecessors, is the principle of individualism. His motive of human action is personal gain. But instead of developing this, as Hobbes did, into a struggle for existence and supremacy which would fill the world with warfare, he held the more comforting thesis that the endeavor for private gain was the best source of public utility; and, instead of vesting government with dictatorial powers for the preservation of the peace, he wished government to leave individual economic endeavor absolutely unrestrained, as the surest way to general prosperity. With Quesnay and the French physiocrats, he believed that the "law of nature" would make all individual strivings redound to the common good. Time has applied to the theory the only moral test admitted by Hume and his followers, and has proved it wrong. The right solution of the great problem demands other moral factors, which they did not take into account, and which, in fact, their initial principles excluded.

Bentham was a disciple of Hume and Helvetius, the latter as outspoken a materialist as Hobbes. Naturally, he, too, made utility the only rule of human action, the only basis of morals, government, and law. But, happily inconsistent with the absolute individualism which such a philosophy supposes, he took as his test of right and wrong "the greatest good of the greatest number." It was an unconscious groping towards better ethics and sounder philosophy.

John Stuart Mill was carefully trained in the same school of sensationalism, materialism, scepticism, and utilitarianism. His whole nature was antagonistic to his training; but he never succeeded in casting off its influence, and thus his mental life grew into one of the most

singular and sad psychological studies which the history of our race presents. He held to utilitarianism, but his heart made him repudiate the selfish aim which the logic of his predecessors had proved to be the starting-point of the system. He poured forth his hopes and longings for a coming social state in which men would find a sufficient motive for action in the welfare of the race. And yet he so despaired of its realization through any principles furnished by the atheism which was his first postulate that he was forced to commit himself to a theory of communism, in which the coercive and directive power of the State should drill human life into some endurable phase of the struggle for existence. The cure and the result demanded other principles and other influences than those which he thus despairingly invoked.

The economic man was the outcome of a false philosophy. The economic and social organization of which he was the unit has been proved by results to be bad for human welfare. The remedy is not to be sought, with Mill, in communism, but in a return to a true philosophy, to a right notion of morals and of man, based on a right notion of God. To accomplish this is the only aim of the Catholic Church. She knows well that, if human conduct will but take the philosophy of Christ for its guide, human relationships and economic conditions will soon become what they ought to be. And she is convinced that, short of this, no remedy for human ills and no guarantee for human welfare is possible.

The answer that will be made to this is obvious. It will be said that the economic man, man as viewed by the science of economics, is by no means meant to be a substitute for, nor to be independent of, the Christian man, man as viewed by religion. But, it will be asserted, as the science of economics is distinct from the science of religion, so the view of man as related to the one is, and has a right to be, distinct from the view of man as related

to the other. No one, probably, has stated this better than Perry: "But let us add here, once for all, the grand truth that Political Economy does not cover the *entire* relations between employers and employed, and between buyers and sellers generally: it covers perfectly their *economical* relations,—the relations between buyers and sellers as such; but morality and religion have *additional* but not incompatible words to utter when this science becomes silent: mutual forbearance and concession, mutual affection and helpfulness, are duties enforced by higher considerations than those of *gain*."*

But it is a great mistake to suppose, as this seems to suppose, that, in mapping out the activities and motives of human life, the economic, though not excluding the moral and religious, may yet be considered distinct from them, they having a voice only when economic science becomes silent. Our Creator will assuredly not indorse any such parcelling out of the activities and motives of his creatures; for it is unquestionably his will that all their relations with one another should be ruled throughout by their relation with their common Father; that is, by religion. Christianity can assuredly not indorse it, for her rule is and must be that enunciated by Saint Paul: "Whatsoever ye do, in word or in work, all things do ye in the name of the Lord Jesus Christ, giving thanks to God the Father through him." Religion that does not animate and rule the whole of life, the whole of its relations and activities, is hypocrisy and a sham. De Laveleye is right in saying that the laws of economics have their very roots in morals, that the objects of the two, though not identical, are inseparable. And what he says of economics and morals is just as true of economics and religion; for by morals we mean the science of duty towards self, towards the neighbor, and towards God. And this is religion,—natural religion, into which the spirit and the grace of Christ are breathed, to make it divine.

* *Political Economy*, chap. v.

Our Declaration of Independence placed our political and social system on its true basis, by founding it on the "inalienable rights bestowed on man by his Creator." The very same must be the basis of sound economics. Without the Creator, man has no inalienable rights,—none but his modicum of strength, which must go down before greater strength in the struggle for existence; and he must expect from his fellow-man no consideration but what self-interest prompts. As Perry says, "It is not a question of duty, but of gain." This is the system we have been examining, and which, experience has shown, will not work. But with the Creator man has inalienable rights which every fellow-creature must respect. Thus mutual duties spring spontaneously from human rights, and both from our relation to our Creator. This is the system offered by religion, the only system which the Catholic Church desires to see established among men, and that solely for their good. The light of reason, the facts of experience, and the genius of America unite in proclaiming it correct.

And this indicates another tendency no less mistaken and harmful; namely, the tendency to divorce the principles of economics from the principles of politics and the control of government. There is unquestionably too much truth in the saying that "the world is too much governed." Tacitus was certainly right when he penned the maxim: "*Ubi plurimæ leges, ibi pessima respublica.*" No intelligent student of history will deny that the manipulation of economics by "paternal" governments went to such an extreme under the Mercantile System that the reaction of *laissez-faire* was inevitable and necessary. But neither can any impartial thinker deny that the assertion of individual independence in economic arrangements may also go to extremes, that the exemption of personal rights in such matters from governmental control may be pushed to lengths seriously detrimental to the social welfare and

demanding the intervention of the social authority. Facts all the world over are abundantly proving this to-day. On this point Perry wrote: "The points of contact [between economics and government] we concede: the asserted jurisdiction and control we deny. Self-interest, which is the motive power in exchange, while at a few points it accepts the *help*, will not at other points tolerate the *interference*, of government."* This one-sided arrangement in behalf self-interest the nations of the world are now repudiating. Economic justice has two sides to her balance, and governments have to see that fair play is given to both.

Ages ago Aristotle showed that ethics, economics, and politics are cognate branches of social science, distinct, but inseparable, and intimately acting each upon the others. When J.-B. Say wrote, "The wealth of a nation is absolutely independent of its political organization," he was evidently blinded to reason and facts by the influences of a school. Far more truly did Montesquieu write, "A country is prosperous not by reason of its fertility, but by reason of its liberty." The history of our own country supplies numerous striking illustrations of the intimate connection between ethics, economics, and politics. We need glance at but a few.

For years after the achievement of independence the States could not agree upon a constitution. It is well known that economic considerations forced them at last to an agreement, and had great weight in determining the character of the Constitution.

At that time both the ethical and the political principles of the American people were adverse to slavery, and numerous societies for its abolition existed in the South. The invention of the cotton-gin gave slave labor a new economic value, and the manacles of the slave were riveted hopelessly. Later on the struggle for political supremacy in the Territories led to the Civil War; eman-

* *Political Economy*, chap. ii. 4.

cipation became a war necessity; politics abolished slavery; its abolition has revolutionized both social and economic conditions in the South, greatly to the South's advantage, and the economic conditions of the North are beginning to feel the change profoundly, and, some would say, disastrously.

Hamilton and the Federalists advocated protection on political grounds, that there might be formed privileged classes attached by motives of interest to a strong central government. Jefferson and the anti-Federalists opposed it for the very same reason. The economic needs of the Western Territories, quite as much as the reaction against the "alien and sedition laws," gave the ascendancy to the Jeffersonians. The general blockade during the War of 1812 forced a development of home manufactures. Economic considerations then demanded protection. And now, quite independently of political or economic schools, or of selfish considerations, the ethical sense of a large portion of the American people calls for such measure of protection as shall keep American labor from being brought into competition with the underpaid labor of certain foreign countries.

These facts suffice to show that just as man, whether in his private or in his social life, cannot rightly permit his motives of self-interest to stand even for a moment independent of the principles of morality and religion, so human society cannot rightly or safely admit any system of things which is not based on the intimate relations and interdependence of ethics, economics, and politics. Extremes on either side are, as we have seen, erroneous and pernicious. To find the golden mean is not easy, but only in proportion to its attainment can true prosperity be reached and maintained. Washington meant as much when he warned our country in his farewell address against hoping that her liberties and prosperity could be maintained without public morality or morality without religion.

The constant aim of the Christian Church since her divine Founder sent her forth to her work has been to bring about this synthesis and harmony of the religious, the ethical, the economic, and the political elements in the life of mankind. Her social system may be summed up in the following principles:—

First, the universal Fatherhood of God. This is the source of human dignity and human rights. The rights of man are "inalienable"; that is, beyond the power of man to take away, because they are not bestowed by man, but by the Creator.

Second, the universal brotherhood of men. This follows necessarily from the first. It is placed in clearer light and on a higher level by the mystery of the Incarnation, in which Christ makes all men not only his brethren, but his members, and members one of another. This is the source of human duties to one another.

From these two great facts flow the two great precepts of the love of God and the love of the neighbor, which must be the mainspring of all human activity.

Third, the universal interdependence and mutual obligations of the members of human society. All are agents of the providence of God. Whoever have more than others of power or talents or wealth are bound to be to others "stewards of the manifold bounty of God."

Fourth, the special right of the poor and the working classes not only to justice and charity, but also to respect, because of their special relation to Jesus Christ, who voluntarily chose to be poor and to be the carpenter of Nazareth. By this the Church meant no system of leveling equality. She knew that inequalities are inevitable, and that it was by the interaction of inequalities that the motion and progress of society was to be secured. She no more thought of bringing all down to the level of the poor than of lifting all up to the level of the rich. With her divine Master, she taught not that riches are an evil

in themselves, but that they are a danger to their possessors, because of the too common tendency on their part to forget that they must hold riches not as if they were their own, but as "stewards of the bounty of God." If they bear this in mind and act accordingly, then even the rich can be "poor in spirit," and have the double blessing of both detachment and beneficence.

Fifth, the divine authority of enlightened conscience, as arbiter of right and wrong in human dealings. It is the voice of the natural law which flows from the eternal law of divine wisdom and love; and the justice of the eternal Lawgiver is its sanction.

Sixth, the divine authority of civil government and law, for the protection of human rights, the repression of injustice, and the furtherance of human welfare. It was no longer the individual that existed for the State, but the State existed for the individual, the only reason of government being the welfare of the governed. But individuals are bound to co-operate for the common weal, and individual convenience and gain must often yield to the public good.

Seventh, that as all things come from God, so all things must make for God or be referred to God, as the Beginning and the End of all perfection and of all happiness.

These seven principles constituted a new system of civilization, a new organization of all social conditions. This system may well be termed the individualism of Jesus Christ. It was the very opposite of the absolute centralism which was the essence of Cæsarism. Naturally, therefore, Cæsarism strove to crush it. But Cæsarism was wrong; and, after a struggle of three centuries, right prevailed over might, and the great pagan colossus crumbled and passed away, leaving Christianity to shape the life of the world.*

*See Allie's *Formation of Christendom*; Kurth's *Origines de la Civilisation Moderne*.

The old system rested on war and slavery. Against the universal tendency to war the spirit of the Prince of Peace gradually introduced arbitration as the means to settle quarrels, thus turning attention and endeavor towards the arts of peace. And, as Perry has well expressed it: "Little by little the new faith took the life out of slavery. It came to the slave, and said, Thou art the Lord's freeman; it came to the master, and said, Thou art the Lord's servant; and it came to both alike, and said, Ye are brethren. As a rule, the Christian Church has always and everywhere been a foe to human bondage." Thus, as the ages went on, slavery melted into serfdom, and serfdom into freedom. In every part of the world the process has been resisted by cupidity, as we saw above that it was in our own country. Slowly, therefore, the great transformation has been accomplished; but upon us has been conferred the happiness of beholding its perfect attainment in our own days. In the year 1888, when Leo XIII. was celebrating the Golden Jubilee of his priesthood, Dom Pedro sent him the proclamation by which he emancipated all the slaves in Brazil. The noble-hearted pope declared that, among all the jubilee gifts which came to him from every corner of the world, this was incomparably the most welcome; and his heart exulted to know that at last it could be said that from end to end of Christendom not a single human being was held in slavery. The crusade against the slave-trade now being led by Leo XIII. and Cardinal Lavigerie gives promise of soon extirpating the nefarious institution from the entire face of the earth.

One of the most characteristic fruits of the new system was the spontaneous formation of associations for all purposes of utility and beneficence. During the period of transition from serfdom to the free communes of the Middle Ages, the chaotic condition of labor was greatly relieved by the Franciscan and Dominican confraternities

everywhere formed among the people. These religious confraternities sprang naturally from the free and democratic tendencies of the times, and owed to it the democratic spirit of their constitutions. To these was largely due the inspiration of the artisans' guilds subsequently formed, which organized labor in a manner quite suited to the social conditions then existing, though not at all fit for the conditions of modern times. With the guilds were associated institutions of charity, springing up to meet every human need.

Thus the tendency was steadily in the direction of perfect freedom of industry, under the control only of the spirit and law of Christ, which the apostle truly calls "the law of liberty." But, owing to the resistance which the human, alas! too commonly opposes to the divine, social progress frequently has had to force its way by revolutions. These ordinarily go to extremes, and for a time seem to work only havoc; but the hand of Providence eventually brings things back to equilibrium, and the net result is an advance. Thus, when it might have been expected that the industrial system of the world would have reached its normal development according to Christ's law of liberty, the spirit of grasping Cæsarism on the part of governments, and of proud self-seeking and self-assertion on the part of the powerful and wealthy, brought on that angry shaking off of all control which culminated in what we may call the individualism of the Revolution.

This has shown itself to be an individualism very different from the individualism of Christ. It had its birth in English Deism, grew into the system of *laissez-faire*, reached its awful culmination in the Reign of Terror and the Paris Commune, and now comes back to the starting-point of its vicious circle in the State Socialism so vehemently urged at present. This false individualism has rejected every one of the six principles of the individualism of Christ. Instead of the paternity of God, it knows only

the forces of nature. Instead of the brotherhood of men, it has only the struggle for existence and the survival of the fittest. Instead of agents of God's providence and stewards of his bounty, it sees in the wealthy and powerful, through the eyes of the *bourgeoisie*, men with absolute right to use their possessions as they please, and, through the eyes of the *proletariat*, robbers who must be stripped of their possessions for the common good. Instead of the comforting and elevating influence of the Carpenter of Nazareth, it has spread among the poor and laboring classes the disastrous influences of irreligion and immorality. By the mouths of its foremost philosophers, it proclaims that conscience is nothing but the accumulation of experiences as to utility, and that, once more, all individual activities must be seized upon and merged, as in Sparta, into the strictly organized and rigidly drilled action of the commonwealth. Thus do extremes meet. No wonder that the world, after two centuries of experience of the system in all its forms, is repudiating it as pernicious and anxiously seeking a substitute.

That substitute must be the universal and complete restoration of the individualism of Christ, the reorganization of the world's social and industrial conditions in conformity with Christ's "law of liberty." Gradually to lead up to this has been the constant aim of Catholic agitators for social reform in Europe during the past half-century. Nothing beyond the barest indication of their methods will here be possible.

Their first object has been the formation of a correct public opinion by the discussion of social and economic questions in Catholic congresses. These assemblies have been regularly held for over thirty years in Germany, and attained great renown and influence through the abilities and zeal at first of men like Bishop von Kettler of Mayence, a true hero of reform, and his able associates, Moufang, Winterer, and Kolping, and later of Windhorst and

the other leaders of the Catholic Centre. Belgium was the first to imitate the example of Germany. M. Duepetiaux, Inspector-General of Prisons and Charitable Institutions, was the moving spirit of the Catholic congresses of Malines, which were international in character and became celebrated throughout the world. France was the first to hold a Catholic congress with social questions for its special object. It was held in 1854, through the initiative of the Viscount Armand de Melun.* Similar assemblies have since been frequently held in Paris, Angers, and elsewhere. The most noteworthy have been the international social congresses held at Liège in Belgium in 1886, 1887, and 1890. Catholic congresses have likewise been frequently held in Italy, Spain, and Portugal for the discussion of religious, educational, social, and industrial questions.†

Kindred to these congresses have been the annual meetings of Catholic juriconsults, of Catholic workmen, and others held in Germany, France, and Belgium.

Within the wide circle of these assemblies have grown up schools and associations of various names for the study of social and economic questions, each having usually a review for an organ. Among the many men distinguished both by social position and by literary ability who have done and are doing noble work in this way, it will suffice to mention the celebrated Le Play, founder of the "École de la Paix Sociale," whose disciples rank among the best economic writers in France to-day, and Count Albert de Mun, who, as representative in the Chamber of Deputies, has for fifteen years stood in the very front rank of those who are striving to point out to France the path of future prosperity, which a return to the principles of Christian civilization can alone insure.‡ He is the

* *Vie du Vic. de Melun*, par M. Bannard, p. 397.

† For details, see De Laveleye, *Le Socialisme Contemporain*, p. 134; Claudio Jannet, *Le Socialisme de l'État et la Réforme Sociale*, chap. viii.

‡ See *Discours du C. Albert de Mun*, 2 vols.

founder of the "Cercles d'Ouvriers Catholiques," the organ of which was, till lately, the review called *L'Association Catholique*, in whose issue of January 15th of this year is an article from his pen, reviewing the aims and methods of Catholic endeavor for social reform in France.

Their first object was to extort from the government the restoration of the right of freedom of association for workingmen. One of the first acts of the Revolution was to abolish this right in 1791, to confiscate the funds of all such corporations then existing, and, under plea of the public safety, to interdict all assemblies of workmen. After persistent efforts, in which the Count de Mun was leader, this law was substantially abolished in 1884. Since then France has been covered with workingmen's associations of various kinds, among which the Catholic associations aim both at securing the just rights of the laboring classes by associated endeavor, and at delivering them from the tyranny of irreligion which has been for a century past robbing them of Christian morality and domestic happiness. Interesting details concerning these associations are given in Claudio Jannet's book above mentioned and in the regular issues of *L'Association Catholique*, as well as in various other similar publications, among which it suffices to mention *La Réforme Sociale*, organ of the school of Le Play; *La Science Sociale*, of the same school; *La Revue Catholique des Institutions et du Droit*, of the Association of Catholic Jurisconsults; the acts of the various congresses; and the splendid Dictionary of Political Economy (*Staats-Lexicon*), published by Herder, which is a worthy evidence of the zeal for social reform animating the Catholics of Germany.

Side by side with these trades-unions and associations of workingmen have gone on the beneficent labors of the associations of charity, both among laymen and among the consecrated religious, which can alone solace those innumerable ills of suffering humanity which associations of

self-protection are powerless to remedy or to reach. Chief among these may well be mentioned the world-wide Society of St. Vincent de Paul, which immortalizes the name of the good and learned Ozanam, and whose conferences are now looking after the poor and suffering in nearly every parish in the world. No one in America needs to be told of the angelic work of the Sisters of Charity, the Little Sisters of the Poor, and the myriads of consecrated servants of Christ who under various names strive to meet and supply every need of humanity. One of the sweetest chapters in economic reform is the work of the Little Sisters of the Workingmen, who to-day are the guardian angels of the factories and factory towns in many parts of France. Jules Simon has well summed up this subject in the following lines: "The Catholic Church has taken as her starting-point the words of Christ concerning the poor; and there is no sort of good work in which she has not been engaged and is not engaged to-day, giving food and clothing to the poor, care to the sick, consolation to the afflicted, shelter to the aged and infirm, education to the children. This is simple justice which we must pay, and which we pay ungrudgingly, to the Church and her members. Even in the midst of dominant scepticism the respect for the Sisters of Charity remains the same that it was in the days of St. Vincent de Paul."*

But the majority of workers for social reform have been convinced that all volunteer efforts would fall short unless aided by legislative reform, wisely framed and gradually applied. Catholics have differed, just as political parties do in our country, as to how far legislative action in the matter is justifiable and desirable. This the Count de Mun states at length in the article above referred to. But the teachings of Leo XIII., in his recent encyclical, in favor of wisely limited and carefully guarded but evidently necessary legislative intervention, will go far towards securing unity of view and action in this respect.

* Jules Simon, *Le Travail*, chap. v.

It is a fact worthy of note that the International Conference on social topics recently held in Berlin was first projected by Swiss Catholics as an International Conference to be held at Berne. On the 1st of May, 1889, Leo XIII. sent, through Mgr. Jacobini, Secretary of the Propaganda, a letter to M. Decurtins, deputy of the Swiss Federal Parliament, strongly commending the proposed international conference, and insisting on the importance of social reform. Six months later, through the intervention of the Emperor William II., the conference was transferred to Berlin. It has, under the emperor's patronage, given the key-note to German social legislation since that day; and measures which the Catholic Centre, in common with their brethren in France, had long been urging in vain, are now receiving some attention from the government. These concern chiefly the labor of women and of children in factories, rest from labor on Sunday, insurance of working people against accidents, beneficial and saving-fund societies, and hygienic provisions as to factories and the dwellings of the working classes. It is simple justice to remark that the Catholic government of Belgium has done more, in recent years, for the relief of the working classes in all these respects than any other government in Europe.

Indications now point to the early need of legislative action in regard both to wages and hours of work. Labor associations of every kind have long been striving to settle these questions, especially by means of strikes. But statistics seem to show that the results of this method have, on the whole, been detrimental to the working classes themselves, as well as to the public peace and prosperity. Hence the growing conviction among Catholics and in the world at large that, both for the interest of labor and of capital, and to hinder rude shocks to industry, to commercial confidence, and to public prosperity, governments must take the matter in hand. Here, again, it is manifest how necessary it is that the adjustment of these

industrial conditions should be kept from the chicanery of party politics, and should be regulated, not merely by the force of supply and demand, but by the social principles given to human society by the Christian religion. And it grows daily more evident that the readjustment, in order to go to the very root of the evils engendered by absolutely unrestrained and heartless competition, and by the arbitrary power of productive combination, must be effected not merely by national, but by international legislation.

In this brief sketch of so immense a subject it has been deemed unnecessary to advert to the part taken in the Christian adjustment of labor difficulties by Cardinal Manning in England and Cardinal Gibbons in America. Living, as they do, in countries where both governments and people are freer than elsewhere to adjust social and economic conditions according to the dictates of Christianity and of good sense, they have proved themselves worthy leaders in the great social movement which is manifestly destined to profoundly influence the shape of human society in the future. To the outcome of the social modifications now in progress the world may look forward without fear, if they are but guided and moulded in public and in private action by a political economy which will have for its initial and dominant idea not WEALTH, but MAN; and not man the mere outgrowth of the forces of nature, but man the child of the wisdom and the love of God.

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THE KAWEAH EXPERIMENT IN CO-OPERATION.

I.

THE LOCATION.

THE Kaweah River rises in the heart of the Sierra Nevada range of mountains. Three principal branches, known as the South, Middle, and North Forks, contribute to send down a volume of water which, at the issue of the stream into the great valley of the San Joaquin, produces an extensive and luxuriant growth of magnificent oaks. On the drier land these trees spread out in beautiful groves; while in the swampy land they are closely matted together by willows and other trees, by tules and wild grape-vines. The South Fork rises under Kaweah Peak, not far from the Mineral King mining region; the North Fork, considerably farther northward, in the region distinctively known as the Giant Forest. This district of country lies in the north-eastern portion of Tulare County, between the 36th and 37th degrees of latitude and the 118th and 119th degrees of longitude. It is marked on the topography of California by an eternal monument,—the loftiest peak of the Sierras, Mount Whitney.

Some thirty miles by wagon-road east from the oak-groved valley town of Visalia, or forty miles from the railroad that threads the San Joaquin Valley, we find on the North Fork, a few miles above where the three branches join, the little settlement known as the post-office and town of Kaweah. This modern village community is situated on both sides of this copious, powerful, and healthful branch of the river. The altitude is about eighteen hundred feet above the sea-level. The country

opens into a gently rising valley, several miles in length and having a greatest width of perhaps one mile. On either side rise ranges of mountains which seclude the hamlet from the world and protect it from the cold, storms, and winds. The bottom lands are covered with fine large oaks, the mountain sides with smaller oaks, with the smooth, red-barked manzanita, the green and gray chamiso, the fragrant, purple-flowered ceanothus, or California lilac, which together make the characteristic, impenetrable chaparral of California. In summer the only green is the foliage of the trees, the ground being burned to an amber-brown, as everywhere in the State. The luxuriant verdure of the winter grass is in spring further enhanced by the brilliant colors of a hundred varieties of wild flowers, including the yellow eschscholtzia, typical of the wealth of the Californian mountains, and the blue nemophila, typical of the azure of the Californian skies. Here the members of the Kaweah Colony own, either actually or potentially, about six hundred acres of valley lands and mountain slopes.

From the Kaweah village community we ascend along the road for twenty miles to an altitude of from five to six thousand feet. The road we travel is one of a fine, even grade, for most of the distance, displaying excellent engineering judgment. It was constructed, as we shall see, by members of the colony. To maintain its moderate grade it has to wind into many deep cañons, frequently to be blasted out of masses of granite boulders or the steep faces of solid rock. We pass several smaller valleys, and one high, rolling valley, some three thousand feet above the sea-level, containing several hundred acres of land, the site of the former settlement of the Colony Gronlund, or Advance. Beyond this we come to some extensive chaparral-covered plateaus of the rich fruit-producing red soil characteristic of the Sierra foot-hills. At the end of this twenty-mile road we come to a dismantled lumber mill,

barns, several sleeping-houses, and a cooking-house. These are built on the "squatter" homestead claim of John Zobrist. Just before reaching the mill, from the saddle of the ridge, we may look west down over range beyond range to the San Joaquin Valley, and east from crag to crag and from peak to peak towards the seemingly ever-receding summit of the Sierras.

From the mill we may proceed by trail on horseback for seven or eight miles till we reach the Giant Forest. This region is known in the land-office as townships fifteen and sixteen south and ranges twenty-nine and thirty east, Mount Diablo meridian. It has for natural topographical landmarks within its precincts Cathedral Rocks, Kaweah Peak, Needle Rock, and Moro Rock. There comes from the north and east, dividing the forest by a deep, steep, and thickly wooded ravine, the cold, crystal water of the Marble Fork. Extending from the site of the mill east and north, there are many thousands of heavily timbered acres. Pine, fir, spruce, and sequoia, of size and age fit for the saw, exist in quantities sufficient to supply an immense market for many years.

The great timber belt of the Sierra Nevada, extending from where this range closes with the Coast Range on the north, in the vicinity of Mount Shasta, to nearly where they close again on the south, at Tehachapi, is especially distinguished in this south-central portion by the survival of groves of the *Sequoia gigantea*. Living specimens of these trees may be found over an area of some two hundred miles in length, from Calaveras County to Tulare County. The more compact "groves" of Big Trees in Calaveras and Mariposa Counties are known the world over. That of Fresno County has been coming more into notice; while the extensive Giant Forest of Tulare County, not marked by a grove or groves of *Sequoia gigantea*, but by hundreds of groups and individual Big Trees, has but slight popular fame. In fact, until the energy of the Kaweah colonists built their road, it was remote and inaccessible.

The general features of this portion of the Sierras were described more than twenty years ago by Professor Whitney, then State Geologist of California: "A transverse ridge," he says, "running obliquely across from Mount Brewer [from whence, he tells us, is one of the most sublime views which it is possible to obtain, even in this sublimest portion of the Sierra] to Mount Tyndall, forms the divide between the headwaters of the Kern and those of King's River."

South of this, the division of the summit of the Sierra into two parallel ridges is very marked, the Kern flowing in the tremendous gorge between them. The eastern ridge forms an almost unbroken wall for a great distance to the north; while the western one is less distinctively marked, being broken through to allow of the passage of the headwaters of the King's and San Joaquin Rivers. The highest portion of the western ridge is that extending between Mount Brewer and Kaweah Peak, twelve miles to the south. From the great elevation of this last-named peak and its peculiar position opposite to the highest point of the Sierra, and the immense depth of the cañon of the Kern between it and Mount Whitney, it would probably command the grandest view which could be obtained in the whole range of the Sierras. Kaweah Peak is distinctly visible from Visalia to one looking up the valley of the Kaweah River.

Of the terrible grandeur of the region embraced in this portion of the Sierra it is hardly possible to convey any idea. Mr. Gardner, in his notes of the view from Mount Brewer, thus enumerates some of the most striking features of the scene: "Cañons from two to five thousand feet deep, between ridges topped with pinnacles sharp as needles; successions of great crater-like amphitheatres, with crowning precipices oversweeping snow-fields and frozen lakes; everywhere naked and shattered granite without a sign of vegetation, except where a few gnarled and storm-beaten pines (*Pinus contorta*, *P. albi-caulis*, *P. aristata*) cling to the rocks in the deeper cañons,—such were the elements of the scene we looked down upon while cold gray clouds were drifting overhead."

The finest view I had in my visit to the Giant Forest was from the vicinity of Moro Rock, a majestic mass of granite which rises perpendicularly seven hundred feet, it

is said, from its base. Round its foot winds the Marble Fork, so named because of the beautiful marble cliffs over which the stream flows in a succession of cascades. Across the main cañon, to the east and south, rise the spires, needles, crags, towers, battlements, and buttresses that make up the denuded, glaciated granite summits of the Sierras. Below, in the depth of the cañon, is the silvery line of the main stream, winding its way down to the San Joaquin Valley. Too distant to see the movement of the water, the frequent rapids look like patches of snow. Westward the scene discloses a succession of ridges, running transversely, and breaking off in an irregular line where the Kaweah River struggles through. In the farthest distance, to the north-east, not far from San Francisco, may be discerned two peaks of the Coast Range. Following down the main line of the river, to the west and south-west there may be seen the golden fields of grain, or the darker spots caused by the presence of oak groves, orchards, vineyards, or villages, marking off the San Joaquin Valley into spaces of irregular size. At the utmost reach of the eye, the expanse of water known as Tulare Lake sends back its shining signal. Perhaps a faint movement may be seen where the railroad train glides through the heart of the great valley.

Turning from the polished ledge of rocks whence we have viewed this scene, our horses carry us again in a moment into the seclusion of the forest.

The Giant Forest extends for a number of miles along the tributaries of the King's and Kaweah Rivers. In some places the growth of timber is dense, in others more or less open and sparse. Throughout the whole region where the big tree grows, however, the various timber trees are of sufficient size and quantity to make lumbering profitable. While the smaller specimens of the *Sequoia gigantea* would be profitable in the mill, the timber value of the forest does not come from these trees. The

pine, spruce, and fir, which grow in different belts, are the valuable and coveted timber products of the forest. The sugar pine, furnishing the finest timber of California, grows here abundantly and of great size. All the varieties of trees are of remarkable beauty and symmetry, preserving up to a great height a very slowly diminishing diameter.

The big trees are, of course, the distinguishing mark of the forest. They grow in this region in greater numbers than anywhere else, and their beauty is certainly not excelled by those of any other groves. There are thousands of them within the limits of the forest. The average diameter is probably ten or twelve feet. There are many having a diameter of twenty feet, and a number above thirty feet. What may be the diameter of the largest tree cannot be stated positively, nor whether the largest tree of California grows in this forest. Certain it is, however, that there are many trees, both standing and prostrate, a hundred feet or more in circumference and two hundred and fifty feet in height.

The beauty of the big tree consists in its fine red color, its majestic stateliness, its perfectness of form, its constancy of diameter. No foliage breaks the smoothness and symmetry of its contour until within perhaps fifty feet of its crown. The diameter which it has within a few feet of its top might be indicated by saying that, to gradually taper to a point as other single-limbed trees do, one of these big trees would have to double its height. There are none of the larger and oldest trees but have been shattered at the top by the stress of storms and the weight of snow. Many that lie prostrate bear traces of the violence that caused their overthrow. The Kaweah colonists have affixed the names of some of the apostles of socialism, such as Karl Marx and John Swinton, to the larger trees. Karl Marx, the largest one measured by the colonists, shows in a photograph twenty persons standing

shoulder to shoulder with their backs against one face of the tree. Emerson and others, too, have been remembered by them in the names given to some of the larger and more beautiful trees.

Visited in August, the forest showed the glory of the springtime at its full. A succession of beautiful and delicate wild flowers, varying in their kind and color with the altitude, the moisture, and the shade, was in full blossom. A musk-color and a purple lupine-bloom were the most constant characteristics. Numerous meadows, varying from two or three acres to a hundred acres in area, produced an exuberance of nutritious grass. Small streams and ice-cold springs are frequent. Birds are very scarce, but bear and deer are sufficiently plentiful. Thanks to the careful guardianship exercised by the colonists during the last five years, there were no traces of recent fires.

It is claimed that the marble veins in the Marble Cañon contain fine marketable stone. It was the declared design of the colonists to establish a marble industry, which, they claimed, would rival the timber industry in importance and value. I did not have time to make any examination of these marble resources.

II.

PLAN OF ORGANIZATION.

The Kaweah Colony enterprise seems to have received its inception from a few persons of more or less definite socialistic tendencies. The idea of the colony antedated the appearance of Bellamy's book. Gronlund's *Co-operative Commonwealth* may have been an inspiration to it, as it is now the reliance, if not the foundation, of the completed undertaking. Whatever may have been the plans which were broached on November 9, 1884, when was held the first meeting of the nucleus that afterwards became

Kaweah Colony, a definite basis of operations was formed a year later. In October, 1885, forty-two men — most of them afterwards associated for a longer or shorter time in the Kaweah Colony — made preliminary filings under the laws of the United States on timber lands in the Tulare Giant Forest. As each of these men expected to receive one hundred and sixty acres covered with valuable timber, it was intended through co-operative labor to acquire wealth wherewith to develop their ideas of co-operative, and perhaps socialistic, reform. It is difficult to ascertain the real motives that prompted the enterprise. It is difficult to settle how much of co-operation pure and simple, how much of socialism, how much of private greed or personal ambition, there was in the inception of the project. I am not prepared, however, although I have heard and read a large amount of adverse comment and adverse testimony, to lay up any greater share of the baser motives than usually accompanies any undertaking. Any imputation of baser motives would have no better foundation than conjecture and inference. Certain it is that the obvious facts throughout the history of the enterprise bear witness to the best attributes of human nature on the part of the body of the colonists.

The colony has passed through several phases,—a voluntary association, a short-lived corporation, and a joint-stock company. The question in March, 1888, as to whether there should be a corporation or a partnership, resulted in the most serious of the dissensions in the history of the colony. When it was decided to form a joint-stock company, some fifty men, among them some of the claimants to timber lands in the Giant Forest, left the enterprise. Twenty-seven formally entered a protest against the change, and denounced the undertaking. The objection to an incorporation was that the stock of such an organization would be transferable to any one, and that one person could hold an unlimited number of shares. It was thought

that the safety of the organization consisted in the establishment of a personal relation between the associates,—in having individuals, and not shares or money, represented. Nevertheless, on March 9, 1888, a limited company was formed under the name of the "Kaweah Co-operative Colony Company, of California, Limited, a Joint-stock Company."

The deed of settlement has a number of ambiguities, resulting from a faulty construction of the sentences. The by-laws, adopted on the same day, are, however, in general, lucid and exact, and comply, as a rule, with the laws of grammatical construction. From these by-laws and from Gronlund's *Co-operative Commonwealth*, which is obviously the source of the ideas contained in them, we can gain a view of the organization of the colony.

The number of members is fixed at five hundred, and the capitalization at \$250,000. This amount may be increased or diminished from time to time by a two-thirds vote of the shareholders. The relation established by admitting a member is a personal one, and each member is regarded as a trustee for each and all others and for the company at large. Membership commences on the payment of the first ten dollars of the amount of capitalization. Upon the payment of one hundred dollars in money, a member is entitled to residence and employment on the grounds of the colony, such privilege being granted in accordance with priority of payment. The membership contribution of five hundred dollars may be paid in instalments of not less than five dollars per month. One hundred dollars must be paid in money: the remainder may be paid in labor or materials. No special privileges, benefits, or emoluments may be granted to any member. Every member is entitled to an opportunity to work according to his or her fitness; and every member is required to render value in labor, money, material, or services, for everything he or she receives from the colony.

No person is allowed to hold more than one certificate of membership in the colony; but, as a premium upon marriage, a married shareholder is entitled to two votes in all colony affairs. One of these votes may be cast by the husband and one by the wife. Each member is entitled to a piece of land of not less area than one hundred and fifty feet square. Upon this he may erect a dwelling, of which he may enjoy the exclusive use and privilege as long as he remains a member.

Applicants for membership are required to fill out a blank form of application which sets forth the name, nativity, residence, age, whether married or single, number, age, and sex of children, occupation, capacity for employment, physical condition, religious connections. The form of application inquires whether the applicant is a member of any trade, labor, or economic organization, and the name of such, if any; whether he is a subscriber to any labor or economic journal; if so, of what one. It inquires whether he believes that he understands the "co-operative spirit"; and whether he is "willing, if elected a member, to honestly, truly, and persistently endeavor to harmonize others, to correct his own faults, to try and discover and do his *duty* rather than wholly rely upon his *right*." The applicant must send with his application ten dollars, which is returned if his application is rejected. He is requested to send his photograph.

The board of trustees provisionally accepts or rejects all applicants for membership. All names of such persons are published in a monthly report rendered to all members. If no adverse vote is received within thirty days, the decision of the vote stands. A negative vote of any five members suspends the applicant until the board submits his case, which they must do in their next report. In the vote taken thereupon, five per cent. of negative votes finally rejects. An applicant rejected by the board may, upon recommendation of five members, appeal to the

full membership, and is elected if he receives a two-thirds vote in his favor.

A member may withdraw at any time by giving three months' notice of his intention. He is entitled to receive back all that he has paid upon his certificate of membership, less any debts owing to the colony. This repayment "shall be made at the earliest possible convenience of the colony, but shall not be given priority over other liabilities whose payment is necessary to the perpetuity of the colony."

Children of members are eligible to become members at the age of eighteen, upon payment of the membership fee. This fee may, however, in the case of such persons, if they have been residents upon the grounds of the colony for five years prior to their majority, be paid wholly in labor. Certificates of membership are not transferable without the consent of the company.

All land and buildings, and all other property whatsoever, except private dwellings and the personal effects of members, and goods specially excepted by the company, are held in common by the shareholders. In the case of the withdrawal of a member, he is allowed the full value of a fair appraisalment, made upon the basis of cost, of his private dwelling and improvements. In the case of the death of a member, the amount paid upon his certificate, together with the actual cost of his dwelling and other improvements made upon his building lot, is paid to his legal heirs. The right to withhold such payment for one year is reserved.

The colony keeps a store for the convenience of members, at which all articles of necessity may be purchased by them with the labor time-checks provided by the colony. Cost is set as the limit of price. No member or other person is allowed to keep a private store for the sale or exchange of goods or wares of any kind upon the lands of the colony. No member is allowed to employ directly

another member, but only through the medium of the company.

The colony is declared to be "a thoroughly democratic institution, *in the true meaning of the term.*" The implication here is clearly to the effect that the term "democratic" has not its true meaning in the political vocabulary of to-day, but that in the coming socialist state it will have found this true meaning. It is supposed that, in the co-operative commonwealth, society will be the incorporated whole population. Classes, and with classes rule, will be destroyed. Government will not be wanted by an incorporated whole people. Administration will be the only thing needed, and good administration will put every one in the position for which he is fitted. Administration by competent and qualified functionaries, whose interest is entirely coincident with their duty, is, then, the meaning of democracy.

The conditions of democratic administration, so understood, will consist in tenure of office during good behavior, appointment from below and removal from above, and the referendum.

Tenure during good behavior does not imply tenure for life, nor will the termination of such tenure rest upon any process of impeachment nor demand any charge of infamous crime. As every citizen will be a public functionary, he will have a life tenure somewhere. Discharged from one position, he will find his place somewhere else. Every public functionary will, in respect to his liability to removal, be to the whole people of the State, or to some group of the people, as the case may be, in the position similar to that borne by the physician to his patient: so soon as he fails to give satisfaction, he will be removed and replaced by another.

By good behavior is meant, first of all, efficiency. And every officer charged with overseeing others will be held responsible, not only for the efficiency of his own personal

work, but for the utmost efficiency from every one of his subordinates. "This personal responsibility and instant dismissal for failure will permeate the whole service from top to bottom." This may be regarded as the negative side of such tenure. On the positive side, when the proper man has got into the proper office and performs his work well, he will continue in it practically at his own pleasure.

The matters of appointment and removal are intimately connected with the form of tenure, and the methods provided flow perhaps naturally, although not obviously, from tenure for good behavior. The object to be gained is responsibility, which is regarded as the cardinal point of democracy. There must be a supreme authority in the general membership, an ultimate appeal to the collective control. But there must be division of functions to such an extent that every requirement of society may find its proper place for attention and performance. The great departments of social function, coextensive in territorial range with the co-operative commonwealth, are divided into bureaus, comprising properly related industries. Each central bureau of any given industry has its more or less numerous districts. In the several districts are the factories or other agencies for carrying on the industry. Now, the principle which would govern the co-operative commonwealth in the matter of appointments may be described as follows: In each of these factories, for instance, the operatives, representing perhaps subdivisions of the particular industry, would meet together and elect their respective foremen. These foremen would meet and elect a superintendent of the factory. And all the superintendents of the industry in question, who live in a given district, would elect a district superintendent. These district superintendents, again, from all over the commonwealth, would elect a bureau chief of their particular industry. This bureau chief, together with the bureau

chiefs of the related industries, would elect a chief of department. Thus there would be built up by appointment from below a system of directing officers of supposed greatest competency.

The main point now to be gained is to make continued efficiency secure by fixing responsibility. The dangers to be avoided are, on the one hand, an insinuating weakness in the administration, and, on the other hand, an overpowering bureaucratic influence and consequent corruption. This object may be gained and these dangers obviated, it is argued, by a proper method of removal. There must be responsibility to some one person for every act. Each directing officer is to be held responsible for the omissions as well as the commissions of every one of his subordinates. Each superior officer, then, being responsible for his subordinate officer, must have authority to dismiss him for cause. But there may be an officer superior to this superior officer, and the former may likewise dismiss the latter; and the action of the latter in removing his subordinate may conceivably be the cause of his own removal. So we should go on through the series until we come to the officers of the topmost round. There being no officers of superior rank responsible for actions of these highest officials and capable of securing efficiency in them, we must find some other agency for removing incompetent or otherwise unsatisfactory chief officials. The method that is suggested is to make every department chief, for instance, liable to removal by the whole body of his subordinates, both officers and operatives.

Such is an exemplification of the principle of election from below, removal from above.

In legislation the referendum is to take the place of representation. The charge is made that "the people are peculiarly unfitted for the function with which they are now constitutionally invested,—that of selecting men of whose qualifications they can know nothing for offices of

the duties of which they are ignorant." And the claim is made that they are peculiarly well fitted for passing upon laws submitted to them, adopting or rejecting them at discretion.

The chiefs of departments will be organized into a board of administration, national or other, as the case may be. It shall be the duty of this board to supervise the whole social activity of the commonwealth. These chiefs are to be agents, not representatives. Where laws must be framed, this board may agree upon the general features, and intrust the drafting of the bill to that chief whose department the measure principally concerns. Or it may be referred for this purpose to the chief of the judges. When this draft has been adopted by the board, it may, according to its nature, be submitted to the whole people or to the people of a particular department.

These principles of the ideal co-operative commonwealth the Kaweah Co-operative Colony assumes to put in practice, so far as their presence in the midst of an antagonistic "competitive" world will permit. Situated in California, regard must be had to the legal requirements of that State. An association must be organized which will have legal standing. An institution must be formed which, while subordinate to a political system and encompassed by a social and economic system which are built up upon foundations radically different from it, may yet seek to accomplish the special ends of its own community, and at the same time further the regeneration of these political and social systems. Consequently, the Kaweah Colony must form itself into a corporation or partnership. The latter, after a brief trial of the former, was adopted; and a board of trustees, who should attend to their necessary dealings with the legal and economic world, was placed in charge.

The supreme authority is declared to reside in the membership. A majority vote of this body, except in the

amendment of the deed of settlement, where a three-fourths vote is necessary, is in all cases of binding force. An appeal lies to the membership under all circumstances. The referendum is adopted in such form that ten per cent. of the membership may at any time demand the submission to vote of any measure which has been initiated by the officers of the company.

The trustees, as also any other officers elected by the membership, are elected upon the principle of the cumulative vote. All officers hold office during good behavior, and may be removed by the membership, in the exercise of the imperative mandate, at any time on demand of ten per cent. of the membership. Officers⁸ of a department may be removed by the workers of the department.

The managing authority is the board of trustees, consisting of five persons. Four of these are elected specifically as trustees, and the fifth as general secretary of the company, becoming thereby *ex-officio* trustee. The board elect from their own number a chairman of their own body and a general superintendent of the colony. They must appoint a book-keeper and such other officers, agents, and employees as may be necessary; and they prescribe the duties of such subordinates except as otherwise provided by the by-laws. They may presumably confer the duties of any office, such as that of treasurer or attorney for the company, upon one of their own number. They are directed to create from time to time such departments of administration as may be necessary, following the suggestions of Gronlund's *Co-operative Commonwealth*.

The duties of the general secretary are to keep the minutes of all meetings, conduct the correspondence, recruit the membership, receive, receipt for, and deposit in bank or with the treasurer all sums paid upon membership account, make monthly reports of the condition of the company, and issue all appeals and notices, and so on. The general superintendent oversees and directs the material

work of the company, under direction of the board of trustees. The membership at large elects also a chief of the department of education, whose chief duty has been to supervise the publication of a company journal. This journal, issued weekly under the name of the *Kaweah Commonwealth*, publishes the reports of the officers, educational matter, and general co-operative news. It is used by the secretary for the purpose of recruiting the membership.

General meetings of the company are held regularly on the first Saturday of each month. Special meetings may be called by the trustees, or by twenty per cent. of the membership, at any time. A quorum consists of twenty per cent. of the membership.

Eight hours constitute a day's work in the colony. Thirty cents per hour is the established basis of exchange for labor rendered to the colony by members and by the colony to the members. No money is used within the colony; but time-checks, evidences of so much labor performed for the company, and tickets of various denominations, are the medium of exchange. It is provided — a provision which is as yet of no avail — that at least twenty-five per cent. of all surplus in the hands of the treasurer at the end of each year shall be invested, under the direction of the colony, in a plant of some kind that will tend to promulgate the co-operative views of the colony and to benefit humanity in general. The balance shall be declared as dividends among those to whom time-checks had been issued, in proportion to the number of hours worked. All quarrels, grievances, and disputes must be settled by arbitration.

Subjoined (page 73) is an outline of the colony's projected frame of government. The tendency has been rather to simplify than to extend this scheme. It provides for a vastly more fully developed and complex social and economic system than the colonists have as yet at-

tained to. They seem, however, to abide by the scheme in its main lines and underlying principles. It is interesting in itself, although somewhat fantastic in some particulars. And this fantastic element, it may be remarked, representing the personal peculiarity of one of the members, is displayed not infrequently in the colony arrangements.

III.

THE CONTROVERSY WITH THE GOVERNMENT.

During the month of October, 1885, forty-two men made filings at the Visalia land office for entries on timber land in townships fifteen and sixteen south, in ranges twenty-nine and thirty east, Mount Diablo meridian. This land had been surveyed and placed on the market, under the provisions of the Timber-land Act of June 3, 1878. The filings then made fulfilled all the conditions required by law, and were followed by the necessary publication. On December 30, the day appointed by the register, final proofs were offered and accepted as satisfactory at the land office. The purchase-money, \$410 for each one hundred and sixty acres, was then tendered; but it was declined because of a telegram from United States Commissioner Sparks, dated December 2, and reading, "Allow no entries for filings on land in townships fifteen and sixteen south, ranges twenty-nine and thirty east, Mount Diablo meridian, until further orders." On December 31 the register received from Commissioner Sparks a letter which directed him, on receipt thereof, to "suspend all entries of filings for lands" in the townships mentioned in the despatch. In a letter dated March 11, 1886, the Commissioner says, "The reason which induced the suspension of the townships named were supposed irregularities in the surveys, and alleged fraudulent entries of timber lands." As seen in his report for that year, Commissioner Sparks regarded this as one

among many suspected districts where gigantic frauds were being perpetrated under cover of the United States land laws. He therefore suspended the sale of these lands, together with others, in the hope, as he said, that the entryman, if knowing himself guilty of fraud, "would fear that the general land office would establish it, and thus make default."

Most of these filers, who afterwards associated themselves in the Kaweah enterprise, and thirty-nine out of a total of fifty-three who had made filings during the month of October, 1885, appealed to the General Land Office. The local land officers, furthermore, explained to the filers that, in their opinion, nothing was in question except the good faith of the filers, and that, such good faith appearing, the order of suspension would be withdrawn and patents regularly issued. Thereupon certain homestead claims were entered in an adjoining township, in the valley or cañon land which constitutes the approach to the forest. Moreover, acting upon the advice or with the countenance of the local land officers, certain "squatter" homestead claims were made in the suspended townships. These "squatter" claims were made in order to anticipate the removal of the suspension and to gain precedence over any other claimants.

The Kaweah associates — believing that the ground of suspension was, as stated, suspicion of fraudulent entries, and that, fraud being disproved, the order of suspension would be withdrawn; relying upon legal advice to the effect that such suspension could be made only on the ground of lack of good faith, could be only temporary, and to affect fraudulent entrymen; and believing that, there being good faith on their part, their title was practically perfected by their conforming to all the requirements of the act of 1878 and by their tender of the purchase-money — proceeded to render the forest accessible by building a wagon-road thither. In this labor they were engaged until the middle of the year 1890.

In the summer of 1890, having reached the outskirts of the forest, they placed a portable saw-mill and a portable traction engine on the "squatter" homestead of John Zobrist, one of their associates. A few thousand feet of lumber were cut upon this homestead, and later upon a neighboring timber-land filing. In August, 1890, at the instance of the local land agent, suit was brought in the United States District Court against the trustees of the Kaweah Co-operative Colony for cutting timber — namely, five pine-trees — on the lands of the "squatter" homestead.

On September 25, 1890, an act was passed by Congress, covering slightly more than two townships lying directly to the south-east of the land claimed by the colonists. This act, entitled "An act to set apart a certain tract of land in the State of California as a public park," had the following preamble: "Whereas the rapid destruction of timber and ornamental trees in various parts of the United States, some of which trees are the wonders of the world on account of their size and the limited number growing, makes it a matter of importance that at least some of said forests should be preserved." No provisos or exceptions were made in this act, and the park was placed under the exclusive control of the Secretary of the Interior. The land specified in this act lies in the well-known Mineral King mining region, and contains many big trees.

On October 1 another act was passed, without preamble, entitled "An act to set apart certain tracts of land in the State of California as forest reservations." It is in three sections. Section one sets apart as reserved forest lands a large tract surrounding the Yosemite Valley and the Mariposa Big Tree Grove. It contains a proviso that nothing in the act shall be construed as affecting any *bona fide* entry of land "made within the limits above described under any law of the United States prior to the approval

of this act." Section two places the land thus reserved under the exclusive control of the Secretary of the Interior. Section three, bearing every trace of an afterthought, was added, reserving and withdrawing from settlement and occupancy several different tracts of land, and among them, "subject to like limitations, conditions, and provisions," townships fifteen and sixteen in ranges twenty-nine and thirty.

What distinction, if any, Congress intended to make between the "national park reservation" of September 25 and the "forest reservation" of October 1 does not appear. There would seem to be some basis for the argument that has been urged that the language of the act of October 1 was purposely used in order that these lands might be more easily restored to settlement and sale at any time that Congress might desire. The Secretary of the Interior, however, has obscured any difference in the language of the two acts, and has given, under the exclusive control vested in him, the name of "Sequoia National Park" to all the contiguous lands reserved in this vicinity, embracing five townships.

Another suit was instituted against the colonists under the reservation act of October 1, 1890, for cutting timber on one of the timber claims.

In the first case, Zobrist had applied to homestead the land in May, 1888. This was two years and a half after the suspension ordered by Commissioner Sparks in December, 1885. Zobrist had made his filing in the land office, and built a cabin on the land, so as to gain priority when the suspension should be removed. He was associated with the timber claimants in the Kaweah enterprise. The colony's mill, together with several other necessary buildings, had been erected on the Zobrist homestead. The wording of the act under which this suit was brought (the Timberland Act of June 3, 1878) provides that it shall be unlawful to cut or remove any timber growing on any

lands of the United States "with intent to export or dispose of the same," and that any person guilty of so doing shall be fined for every such offence not less than \$100 nor more than \$1,000. This is followed by the proviso that nothing in the act shall prevent any miner or agriculturist "from taking the timber necessary to support his improvements." The prosecution was based on the claim that the mill, barns, and cabin constructed on Zobrist's homestead were not "improvements" in the meaning of the act, and that the timber so used came under the "export and dispose" clause. The defence was based on the claim that none of the timber cut was used or intended to be used for "export or disposal," as these words had been interpreted by decisions of the General Land Office, but only for supporting improvements on Zobrist's homestead. The court, however, instructed the jury in accordance with the construction of the prosecution, and a verdict of guilty was brought in. The minimum fine was at first imposed; but, at the request of the defendants, this was increased to \$301 apiece, in order that an appeal might be taken. When the grounds of error were taken before the late Judge Sawyer of the Circuit Court, the writ was granted. The second case was now dismissed by the government.

In the mean time — namely, in April, 1890 — the Secretary of the Interior finally rendered a decision on the appeal which had been made to him five years previously, early in 1886. The gist of his decision is that Congress must be presumed to have had all the questions involved before it, and that Congress had, by act of October 1, 1890, expressly and distinctly reserved and withdrawn from sale and settlement the land embraced within the claims of the Kaweah timber filers. The Secretary, therefore, denies the appeal.

The writ of error being granted, a bill in equity enjoining the colonists from cutting timber within the reserva-

tion was filed in the Circuit Court. This was followed by a cross-bill in equity from the colonists, in which they set forth their claims. These proceedings have been allowed as a *supersedeas*, and a case which, it is to be hoped, may now, for the first time, go to the merits of the matter, stands upon the calendar of the United States Circuit Court.

The cross-bill rests mainly upon the claim that the proceedings of the timber filers in October and December, 1885, together with the proofs and tender then made, amounted to a legal contract between the timber claimants and the government, and that the suspension of entries by Commissioner Sparks in December, 1885, and the decision of Secretary Noble in April, 1891, were without authority of law.

IV.

CONCLUSION.

It will be seen from the foregoing that the Kaweah Colony has had the brightest possible material prospects, but that these prospects have been obscured, if not destroyed, by the action of the government. A further investigation discloses the fact that other difficulties have beset the undertaking besides the loss of the timber claims. Many persons who had joined the colony have silently dropped out, while others have withdrawn in dissension. Those who have stood by the undertaking lay most of the blame of their trouble, whether in the form of denial of their claims by the government or of internal dissension, to the machinations of the lumber companies of the Sierras. By the seceders, by personal enemies, and by the local land officials, the cause of the trouble is said to lie in unscrupulous methods and swindling designs on the part of the leaders of the colony. The truth it is impossible to ascertain. The ground of the last charge, however, I can-

not find evidence to sustain. That some of the leaders have been injudicious in some of the glowing accounts given of the colony and its prospects is unquestionable. Yet, in examining the company's letter-book for the last year or two, I find the secretary more often discouraging immigration to the colony than inviting it. But the printed descriptions have had their baneful effect in encouraging enthusiasts of all sorts to think that Kaweah offered prospects of carrying out their pet fancies and follies. Naturally, when these persons found out the real truth,—the hard pioneering life that would have to be undergone, and the general sobriety of the bulk of the colonists,—they became disgusted, and deserted the enterprise.

The present composition of the colony is heterogeneous. But, while the colonists represent many different nationalities in the one hundred to one hundred and fifty persons now resident at Kaweah, they are preponderantly American. They have come from occupations in the "competitive" world of all descriptions,—mercantile, professional, manual. They are of all grades of education, from the university graduate to the man merely trained in the common schools. They are all, perhaps without exception, however, intelligent, thoughtful, earnest, readers of books and journals, alive to the great economic and social questions of the day. They are of all sorts of faith and no-faith,—Spiritualists, Swedenborgians, Unitarians, agnostics, materialists. They have no church, and care for none.

The women are, in many instances, especially remarkable. Courageous, devoted, womanly, intellectual, they must interest any visitor. Some are quiet, taciturn, reflective; others, gentle, dependent, helpful; others, serene, motherly, protective; others, strong, buoyant, energetic. The conversation of one or more I found really brilliant, original in thought, informed in subject-matter, rich and fluent in vocabulary.

The comforts of life, while perhaps occasionally pinched, have been generally sufficient. Simple frame houses are replacing the tents with which the colonists have had to put up until recently. Comfortable chairs and beds are found in all the houses. Books of solid character are found in many homes. Good pictures, some the paintings of a colonist artist of promising talent, adorn many walls. Plenty of fire-wood keeps away any possible cold in this mild, equable climate. A home-like air pervades the settlement.

The resources of their home have not begun to be utilized. This year a sufficiency of fresh vegetables was produced; but, in a region adapted to fruit culture of all sorts, they are only now beginning to plant trees. There is room enough in their present possessions for raising all the poultry they could use. The number of swine could be largely increased. For the raising of cattle, grain, and hay, they need a larger acreage; and I can see no reason why they may not obtain it.

A large force of their men are at present engaged in cutting timber and sawing lumber on a quarter-section which they have leased. This timber land is remote both from their settlement and from the valley. Their income from this source cannot be great. Members have had to go out more or less, to work on farms and elsewhere, in order to supply themselves with such ready money as they needed. This is but a passing phase, if the colony obtains possession of the timber claims in the Giant Forest, or if they succeed in starting other industries now in prospect.

Although undergoing a change of officers on account of personal disagreement, I found the resident colonists satisfied with the outlook and determined to stand by the enterprise. I found, also, non-resident members (of whom there are perhaps four hundred, representing in their families twelve or fifteen hundred souls) awaiting and anticipating the opportunity to remove to Kaweah. The relief from

responsibility, from the necessity of making ends meet, the sense of being provided for, is a great deal to many. The thought that they are working for their own ultimate benefit and improvement, and for the propagation of an idea, is the motive power to others.

On the whole, I can say, although the comparison does not do them justice, that their life is fuller, better, and more profitable than that of either the average California farmer or the members of the average California village. Their food is more wholesome and varied than that partaken by the farmer's family; and there is a higher intelligence, more of a mutually helpful spirit, more of purpose in life, a better moral and social tone, than is found in the village.

In the matter of the controversy with the government, I can come to no other conclusion than that a great injustice has been done to those persons who in good faith made filings for timber claims in October, 1885. The number of these who are now connected with the Kaweah Colony is comparatively small. The number of those who labored in the building of the road and who still remain at Kaweah is likewise comparatively small. But partial, if not full, justice can still be done, and ought to be done, by the government. When it is notorious that thousands of acres of the most valuable timber and agricultural land in California have been illegally absorbed by individual capitalists and by corporations, with almost the connivance of the government, it seems unpardonably harsh and cruel that these men, most of whom are indubitably honest, who have given their energy and life to this undertaking, should be made the victims of even the government's repentance. The law of the case is not so clear to my mind. In fact, it is difficult to find consistency in the decisions of the Land Office. Nor do the decisions of the Supreme Court speak in perfectly unmistakable terms. But even the law seems to me to incline in favor

of the timber-land claimants. If this be so, these claims come under the saving clause of the act of October 1, 1890. If not, there is still an equity in the case which demands action on the part of Congress, to make compensation for the wagon-road to the Giant Forest and to allow timber entries elsewhere, or else to reopen the Giant Forest to settlement. That the big trees should be preserved, and that guarantees should be exacted for their preservation, all will agree. The ordinary lumber company would exploit the forest, caring nothing for what became of these big trees which might be too large for the saw. Whether the Kaweah colonists would proceed in the same way is, of course, uncertain. Their past acts seem to indicate that they would perceive that their own real interests lay in preserving the giant trees.

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SKELETON SCHEME OF ORGANIZATION OF THE
KAWEAH CO-OPERATIVE COLONY.

A MODEL OF A CO-OPERATIVE STATE,

CONSISTING OF

DIVISIONS (3), each under a Manager;

DEPARTMENTS (13), each under a Superintendent;

BUREAUS (58), each under a Chief; and

SECTIONS (—), each under a Foreman.

DIVISIONS.

- I. Division of Production.
- II. Division of Distribution.
- III. Division of the Commonweal.

DIVISION I. [Production.]

(1) Department of Collection.

BUREAUS.

1. Fishing.
2. Hunting.
3. Woodmen.
4. Sand and clay collection.

(2) Department of Extraction.

BUREAUS.

1. Metallic extraction.
2. Coal and oil extraction.
3. Lime extraction.
4. Slate, stone, marble quarries.

(3) Department of Growing.

BUREAUS.

1. Fish culture.
2. Fowl.
3. Insect.
4. Flesh.
5. Forage.
6. Grain.
7. Vegetables.
8. Fruits.
9. Fibres.
10. Miscellaneous growing.

(4) Department of Handcraft.

BUREAUS.

1. Bureau of food.
2. Clothing.
3. Shelter.
4. Machinery.
5. Decorations.

DIVISION II. [Distribution.]

(5) Department of Transportation.

BUREAUS.

1. Freight Traffic.
2. Passenger Traffic.

(6) Department of Storage.

BUREAUS.

1. Warehouses.
2. Stores.

(7) Department of Delivery.

BUREAUS.

1. Carrier Delivery.

(8) Department of Finance.

BUREAUS.

1. General audits.
2. Accounts.
3. Cash.
4. Exchange.

DIVISION III. [Commonweal.]

(9) Department of Administration.

BUREAUS.

1. Legislation.

SECTIONS.

- a. Referendum.
- b. Initiative.
- c. Imperative mandate.

2. Executive.

SECTIONS.

- a. Assignment of colony labor.
- b. Assignment of outside work.

3. Judiciary.

SECTIONS.

- a. Court of public disputes.
- b. Of private disputes.
- c. Of prizes and rewards.

(10) Department of Education.
(Children and adults.)

BUREAUS.

1. The Colony Journal.
2. Physical culture.

SECTIONS.

- a. Gymnastics (Turn-verein).
- b. Drill: "Settling-up."
- c. Boxing, fencing, wrestling.
- d. Swimming.
- e. Shooting, archery.

3. Mental culture. (Speech-craft.)

SECTIONS.

a. Science.—Heat, light, sound, motion, mechanics, electricity, chemistry, geology, zoology, mathematics, geography, history, astronomy, languages, philosophy, politics, sociology, metallurgy, logic, metaphysics, natural justice or law, medicine.

b. Literature.—Poetry, prose, belles-lettres.

c. Art.—Music, painting, sculpture, architecture, drama, tragedy, comedy, choral music, the dance, ceremonials and festivals, debate, declamation, the band, flower culture, modelling, drawing, design.

4. Moral culture.

SECTIONS.

a. *To teach the colonists to love courage, fidelity, truth, kindness, purity, generosity, love, self-sacrifice, independence, modesty, gentleness, toleration, mercy, gratitude, justice, forgiveness, temperance, politeness, honesty, conscientiousness, speech-craft, firmness, judgment, prudence, perseverance, industriousness; and to hate cowardice, falsehood, treachery, infidelity, cruelty, impurity, avarice, nigardliness, hatred, selfishness, servility, vanity, ferocity, bigotry, vindictiveness, ingratitude, injustice, revengefulness, bestiality, indulgence, rudeness, dishonesty, unscrupulousness, garrulity, weakness, vacillation, rashness, stupidity, frivolity, desistance, and laziness.*

These departments to be carried out by kindergarten, lecture, debate, classes, and the press.

(11) Department of Public Service.

BUREAUS.

1. Public health.
2. Drainage.
3. Fertilizing.
4. Roads.
5. Ditches.
6. Water supply.
7. Heating.
8. Lighting.
9. Pneumatics.
10. Post-office.
11. Telegraph and telephone.
12. Cleanliness.
13. Propaganda.

(12) Department of Amusements should co-operate with the Department of Education.

BUREAUS.

1. Of Scientific exhibition.
2. Athletic exhibition.
3. Artistic exhibition.
4. Social amusement.

*. There should be constructed for these departments elegant, imposing, and artistic structures, which might be called the FORUM, the THEATRE, the AMPHITHEATRE, the ARENA, ACADEME, etc.

(13) Department of Defence.

BUREAUS.

1. Fire Department.
2. National Guard.

RELATION OF TRADES-UNIONS TO APPRENTICES.*

As ONE of the chief causes of opposition to trades-unions is their supposed influence in limiting the number of apprentices, it is important to investigate the question as to the extent of this influence. Some previous studies of the subject are to be found in the reports of the bureaus of labor statistics of a few of our States.† The principal addition which the writer will now try to make to these bureau reports is drawn from the replies of a large number of trades-unions in this country having a national or international organization, and from personal interviews with such labor union leaders as Messrs. Strasser, Gompers, McGuire, and McNeil.

Before giving the result of these inquiries, it may be well to say a word of the change in apprenticeship brought about by modern changes in industry. The whole tendency of modern business methods towards the destruction of the entire apprenticeship system is proving too strong to be resisted. Trades become more and more subdivided. It becomes unprofitable for an employer to teach all parts of a business to a workman; while the latter, in view of the frequent changes in machinery and in business methods, stands more in need of general intelligence and manual dexterity than of a minute knowledge of each of the fifty or more subdivisions of an industry. Professor W. T. Harris once remarked, "Whereas formerly it required seven years to learn a trade, now one must be able to learn a new occupation in seven weeks."

Yet in some lines of work, such as the glass-working, iron-moulding, printing, and building trades, there is not now, and is not likely soon to be, enough subdivision and use of machinery to render special training unnecessary. Apprentices-

* This paper was read before the American Social Science Association at its meeting, September, 1891.

† Notably, New York, 1886, New Jersey, 1887 and 1891 (in press), California, 1887-88, Wisconsin, 1887-88, Ohio, 1878, 1884, Missouri, 1888, Connecticut, 1890.

ship has until recently been considered by all to be the only means of securing this practical skill. It is in this gradually lessening number of trades, where apprenticeship is still practicable and necessary for good workmanship unless trade-schools can accomplish the same end, that some of our American trades-unions demand a thorough apprenticeship. In connection with rules which require that the apprentice must spend a certain number of years, usually three or four instead of seven as of old, in learning his trade, and which aim to protect both employer and apprentice during this time, our unions in some cases have other rules which restrict the proportion of apprentices to journeymen in each shop. It is this latter class of rules that have brought so much odium on labor organizations. What are the facts?

Of the 50 to 60 trades-unions in the United States having a national or international organization, 48 with a membership of over 500,000 have made returns to the writer. Most of the other unions are small or known to place no restrictions on apprentices. Of this 500,000, embracing the great body of organized labor in this country, outside of the Knights of Labor, only about 83,000 men in 17 unions, or $16\frac{1}{2}$ per cent. of all, report any rules of the national body restricting apprentices; and only 71,000 men in 14 unions, or 14 per cent. of the 500,000, report success in the execution of their laws on the subject. The other three unions report comparative failure. It is well known that the Knights of Labor, in number 100,000 to 200,000, place almost no restriction on apprentices. Restriction is left to the locals in 10 of the trades-unions, with about 197,000 members, or 39 per cent., and is by no means attempted, or, if attempted, is often not carried out in all those locals. 21 unions, with over 222,000 members, or nearly 45 per cent., report that they have no restrictions whatever. These 21 unions, together with their membership, are presented in Table I.

TABLE I.

Name.	Membership.
International Furniture Workers' Union of America	Not reported
United Mine-workers of America	40,000
International Brotherhood of Boiler-makers and Iron Ship Builders	8,000
National Federation of Silk-workers	1,107
Locomotive Engineers	30,000
Boot and Shoe Workers' International Union	14,000
Granite Cutters' National Union (about).....	15,000

TABLE I. — *Continued.*

<i>Name.</i>	<i>Membership.</i>
Locomotive Firemen	22,000
Brotherhood of Railway Trainmen	20,000
Switchmen's Mutual Aid Association of North America	11,500
Glass Employees' Association of America	450
Walters' and Bar-tenders' National Union	Not reported
Building Laborers' Hod-carriers' Union	"
Order of Railway Conductors	16,000
Amalgamated Association of Iron and Steel Workers*	27,000
Amalgamated Society of Engineers, Machinists, Millwrights, Smiths, and Pattern-makers (about)	2,000
National Federation of Silk-workers	
Cotton Mule Spinners of Fall River	800
Axe and Edge-tool Makers' National Union of America	
Amalgamated Society of Engineers (in United States about)	2,000
Journeyman Bakers' National Union	12,000
Total	221,857

It will be noticed that 100,000, or nearly half of the above, are railway employees, and 40,000 are mine-workers, where apprenticeship is impracticable. The secretary of the Glass Employees' Association of America, Mr. L. J. Fegan, writes from Pittsburg:—

We have no restrictions other than that we require apprentices in piece-work establishments to receive the same price as journeymen. While the latter provision does no injustice to the employers, they not having to pay for work not performed, nevertheless it protects the workers to the extent that employers would prefer competent workers in preference to beginners. . . . If there are no restrictions, and the practice of putting in apprentices is customary, it has a tendency to reduce wages. When there are two or three men for one job, then the competition for positions becomes acute, and workers from necessity are compelled to accept any pay offered. In one branch of the packing industry in glass works (owing to lack of organization) it is a rare thing to see a man over thirty-five years of age. Young people are preferred, owing to their working cheaper and their superior activity. Young men learn the business, and about the time they have a family dependent upon them they are compelled to seek other employment for a livelihood.

We begin to see why so many trades-unions restrict the number of apprentices.

The 10 unions, with about 200,000 men, which abandon all regulations of apprentices to local organizations, are given in Table II.

*The Boston branch has 1,800 members.

TABLE II.

<i>Name of Union.</i>	<i>Membership.</i>
Drillers' and Quarrymen's Union	4,200
International Machinists' Union of America.....	1,000
United Brotherhood of Carpenters and Joiners of America.....	83,000
International Typographical Union.....	27,800
Amalgamated Society of Carpenters and Joiners	35,000
Cigar-makers' International Union of America	24,624
Brotherhood of Painters and Decorators of America.....	15,000
Sheet-iron and Cornice Workers' International Association.....	3,000
Journeyman Stone-cutters' Association	3,000
International Brotherhood of Machinery Moulders of North America	
Total *	196,624

Only those branches of the cigar-makers' organization which make the better grade of cigars attempt any restriction at all of apprentices. Where restriction is attempted, it is usual to allow one apprentice to a shop, and two apprentices where from five to ten journeymen are employed. The term of apprenticeship being only three years and the natural working life of cigar-makers over fifteen years, there is in the application of this rule opportunity for a considerable yearly increase in the number of cigar-makers.

Of the 11 local Typographical Unions in New York State, investigated in 1886 by the New York Bureau of Labor Statistics, 8 reported some restriction of apprentices. The very moderate rule common to most of these was one apprentice to four or five journeymen, the term of learning being four years. But such rules are of comparatively little avail in keeping down the number of printers because of the large number trained in the country newspaper offices, where, in the absence of unions, no rules are applied. All the eleven unions, as stated in this report, admitted to their membership, on equal terms with any others, those boys that had learned their trades in non-union establishments.

The machinists seem to place no restriction upon apprentices; but the secretary of their union, Mr. Morse of Brooklyn, writes:—

Personally, I must say that I very much deplore the present system of most of our large machine shops throughout this country. For instance, a boy goes into one of these large shops to serve an apprenticeship of three years. He goes in with the understanding, in many cases, that at

*In 1887 the Bricklayers' and Masons' International Union (16,000 members) had rules placing them under this table. No later report has been received. This would make the total over 210,000.

the end of that time he will be a finished mechanic, able to command the wages of such. Instead of dealing fairly with the boy and giving him a chance to get the first rudiments of the trade he has chosen,—for that is all I claim any boy does get during his apprenticeship, be his chance ever so good,—he is put at some machine or bench, as the case may be, and kept there for three years. Now, sir, I ask you, as an intelligent man, what on earth is that boy good for? Can we wonder at the number of tramp machinists—for that is what we call them in the trade—going about this country? It is a deplorable condition for our trade to be sinking into. Now, the remedy for this, to my mind, lies in the thorough organization of our trade. I do think there should be restrictions and rules regulating apprentices, and stringent ones, too. I am quite sure that our International Union will take up this matter at our next convention.

The Brotherhood of Painters and Decorators, with 15,000 members, has no national rules on apprenticeship, but recommends to the locals to secure the indenturing of apprentices for four years, and to limit the number as each local may see fit. But those recommendations are little heeded. The general secretary, Mr. J. F. Elliott, writes from Baltimore:—

We desire to have an apprentice law that will re-establish the indenturing of apprentices and the turning out of skilled tradesmen; but the tendencies of the times point to a different condition, and the trade-school is gaining favor all over. Wherever our locals are strong enough we enforce our laws and endeavor to make the indenturing of apprentices the rule, but so far have met with poor success. I notice that the bosses are beginning to find that the rapid introducing into the market of a vast number of unskilled painters is affecting their interests, and that this element, not being able to hold positions as journeymen, opens up independent shops and takes work under any condition,—a matter which seriously affects the interests of the bosses.

Each local of the Sheet-iron and Cornice Workers' Union has its own rule, or absence of rule, on apprentices. The Pittsburg district now allows one apprentice every four years to three journeymen instead of to four as formerly.

In Table III. are given the three national unions that have some rules limiting the number of apprentices, but, according to their secretaries, fail to enforce them.

TABLE III.

<i>Name of Union.</i>	<i>Membership.</i>
Saddle and Harness Makers of America.....	1,500
Hat-makers' National Association of the United States.....	2,994
Shoe-lasters' Union.....	7,850
Total.....	<u>12,344</u>

The Hat-makers' National Association reports almost total failure in the enforcement of any limitation upon apprentices. The Shoe-lastors' Union has a stringent rule: "No branch of the organization shall give permission to or allow any of its members to instruct, teach, or in any way aid any person or persons in learning to last; except in case a member of said branch wishes his son to learn to last, which wish may be granted by said branch, should said branch conclude so to do. If said wish is granted, it shall then be lawful for any member of said branch to teach said son to last, if for good and sufficient reasons the father of said son is personally unable so to do." But, in justifying this rule as a necessary "protection against a surplus of labor in the trade," the secretary, Mr. Edward L. Daly of Boston, remarks that "the manufacturers teach more apprentices than their business requires." This remark, and facts of the shoe business known in a general way to the writer from frequent visits to the shoe towns of Massachusetts, lead him to believe that the rules of the Shoe-lastors' Union keep few, if any, who so desire from learning the trade. The Massachusetts census of 1885, the most complete census ever taken in any part of this country, reports 6,032 shoe-lastors in Massachusetts and only one apprentice,—a sufficient proof of the break-down of the restrictions of the Shoe-lastors' Union, for of course hundreds enter the trade yearly without formal apprenticeship.

The National Association of Saddle and Harness Makers of America report very poor success in enforcing their rule of one apprentice to a shop, one to the first six journeymen, and one to every ten additional journeymen. The secretary, Mr. George Joscelyn of Boston, makes the following valuable observations:—

In the East and North we have no such thing as apprentices at all. The system largely prevails in the South and portions of the West, and, as practised, is of no practical benefit to the boys as far as acquiring skill in the business is considered, and is an injury to the trade at large by reason of the fact that, as soon as the boys get where they ought to have more pay for the work done, they are dropped, and a new boy taken on to go through the same routine. Thus an army of unskilled boys are turned loose every year who must live, and will work for any wage offered that will enable them to do so.

The worst system that I know of prevails in the city of Baltimore, Maryland. A boy is put to work in charge of another boy, and works three years. Then he in turn is given from three to five more boys to instruct; and, as each completes his servitude, he takes up the rôle of instructor in his turn. The pay starts at \$3.50 to \$4 per week, and increases 50 cents each six months to the end of the three years, when it stops,—a request for more wages after that always resulting in a discharge.

When you realize that, with good advantages, it takes a man not less than ten years to become a good general workman in the harness trade, —and many men do not acquire first-class skill even in that time,—the folly and injustice of the system are apparent.

From a knowledge of the business gained by thirty-three years' experience I consider our restrictions as liberal; and, if strictly followed out, they would be a benefit to the boy who wished to learn and to the trade at large.

In Table IV. are given the membership and ratio allowed of apprentices to journeymen of those unions that claim to be quite successful in their efforts at restriction.

TABLE IV.

<i>Name.</i>	<i>Membership.</i>	<i>Length of Apprenticeship.</i>	<i>Ratio of Apprentices to Journeymen.</i>
American Flint Glass Workers' Union	7,300	4 years	1 to 4 or 5 or 7, according to the locality.
Bottle-blowers (Eastern division)	2,200	3 to 5 years	1 new apprentice each year to shop of 9 journeymen. If over 9 journeymen, 1 apprentice each year to every 15.
International Trade Association of Hat-finishers of America	4,154	3 years	1 to a department, except the "finishing."
Table-knife Grinders' Union	323	4 years	None but members' sons, and apparently not all of them.
German American Typographia (about)	1,100	4 years	1 to an office and 1 extra to every 6 journeymen.
Pattern-makers' Union	2,500	4 years	1 to 4, but not over 4 to a shop.
Iron-moulders' Union (about)	28,000	4 years	1 to a shop and 1 extra for every 8 journeymen.
Hat-makers' Protective Union of Philadelphia			No particulars given.
Amalgamated Association of Elastic Web-finishers	228		1 apprentice to 10 looms in England, but in U.S. immigrants and sons of workmen supply the trade.

TABLE IV.—Continued.

<i>Name.</i>	<i>Membership.</i>	<i>Length of Apprenticeship.</i>	<i>Ratio of Apprentices to Journeymen.</i>
Tack-makers' Union..	212		Members can train only their own sons by vote of union.
Horse-collar Makers' Union.....	2,000	3 years	1 to a shop, or 1 to 7 journeymen, and not over 3 to a shop.
Journeyman Tailors' Union.....	20,000	4 to 5 years	1 apprentice to 1 journeyman.
National Silk and Fur Hat Trimmers' Trade Association of America.....	663	4 years	1 to 10, or 1 to a shop.
International Wood-carvers' Association of North America...	1,400	3 years	1 to 5, but only 3 to a shop.
Wool Hat Finishers' Association of the United States.....	600 (in 1889)	3 years	1 to a shop, or 1 to 10.

Although some of the rules seem quite restrictive, there are not nearly so many apprentices as even these rules would permit. In Massachusetts—*e.g.*, in the hat business—there are 226 technically known as hatters and 29 apprentices. But there are 875 other hat-makers, such as silk and fur hat makers, finishers, trimmers, pressers, etc., and only 3 apprentices instead of fully thirty times that number, as the union rules allow. In this as in nearly every case, we find that the death-blow to apprenticeship is not struck by the unions, but by the employers, and by conditions of business which bring workers into a trade without any regular training or apprenticeship whatever.

Similarly there were in Massachusetts, according to the census of 1885, only 16 apprentices to 769 journeymen-pattern-makers, 1 to 48; 58 apprentices to 2,997 iron-moulders, or 1 to 51.7; and 16 apprentices to 408 wood-carvers, or 1 to 25.5. There were 133 apprentices to 1,624 journeymen tailors, or 1 to 12, and 455 apprentices to 4,116 printers and compositors, or 1 to 9. So that outside the two last there were not by a large number as many apprentices as the union rules allow.

It will be noticed that few returns appear from the building trades, due chiefly to the fact that many of these have only local and not national organization. A few of these are included in the report on apprentices of the California Bureau of Labor Statistics for 1887-88. The following from the

report sufficiently summarizes it, and emphasizes the fact already brought out that comparatively few trades-unions make any pretence of restricting apprenticeship:—

The following table shows that, out of forty-eight trade organizations, only fourteen, or less than one-third, have rules or regulations relating to apprentices or limiting their number. The bricklayers' is the first of these on the list. They limit the number to two apprentices to each master mason or employer, no matter how many mechanics he may have in his employ; and they must be the sons of bricklayers. Another rule they have is that "the right of any person to take an apprentice, except a master mason, will not be recognized by this association." Under this rule, it would appear that a journeyman bricklayer is not allowed to teach his trade to his own son, unless he could be one of the two allowed to the master mason who employs him. The caulkers' rule is still more stringent, as they allow only one to each employer. The cigar-makers limit the number to one to each shop and one to ten men; the glass-blowers, one to fifteen men; the pattern-makers, one to four; the iron-moulders, one to each shop and one to eight men; the coopers, one son to each member; the tailors, one to each member, regardless of relationship. The hatters allow two in every shop, and the stone-cutters the same number in every yard; and wood-carvers, one to a shop, and two if six or more men are employed.

In view of the common belief that the building trades are successful in limiting the number of apprentices, it is very significant to note the facts of the Massachusetts census as collated by the writer in Table No. V.

TABLE V.

<i>Name of Trade.</i>	<i>Number of Journey- men.</i>	<i>Number of Apprentices.</i>	<i>Ratio of Apprentices to Journeymen.</i>
Blacksmiths	5,550	196	1 to 28.3
Carpenters	21,042	340	1 to 62
Machinists	15,751	788	1 to 20
Masons	6,205	50	1 to 105
Painters (about)	10,000	119	1 to 89
Plumbers	1,787	307	1 to 44
Printers	8,824	455	1 to 19
Tinsmiths	1,822	112	1 to 16
All others in manufact- uring and mechanical industries	323,603	3,212	1 to 101

In the report for 1886 of the New York Bureau of Labor Statistics, 28 unions organized with 64 local branches were investigated. Only 8 unions, through 17 local branches, had any restriction on the number of apprentices.

In New Jersey, according to the Labor Bureau Report for 1887, 59 out of 150 trades-unions "regulated" apprentices, but by no means in all cases restricted their number. Often only the time and manner of training are regulated. Likewise 27 out of 178 local assemblies of the Knights of Labor regulated apprenticeship.

The New Jersey Report for 1891 shows that the glass-blowers, after a struggle of four years, have arranged with the majority of employers, including all who employ union men, to allow one new apprentice for fifteen journeymen, with a term of five years, thus allowing practically one apprentice for three journeymen, and apparently contemplating the doubling of the number of journeymen in about twenty years.

A member of the New Jersey Bureau, Mr. Joseph Fischer, writes under date September 21, 1891, that, aside from the glass-blowers, there has been no new development in the direction of apprenticeship during the last few years, "probably due to the fact that little progress has been made in organization. While trades-unions remain about the same numerically, the Knights of Labor order has very materially decreased in membership. A very pessimistic view seems to pervade workmen circles just now. I hear it frequently stated that in a few years, owing to the development of machinery, there will be no such thing as a skilled trade."

As a final proof of the failure of trades-unions in any considerable degree to restrict apprentices, reference may be made to the small number of strikes for this purpose. In 1881-86 inclusive, according to the United States Bureau of Labor Statistics for 1886, there were 22,344 strikes, and of these only 250, or 1.1 per cent., had any connection with apprentices. 63 of these were unsuccessful. Of these 250 strikes, 157 were in the building trades, 28 in glass, 15 in tobacco, 12 in clothing, 9 in metals, 7 in printing and publishing. Of the 9,384 strikes in New York 1885-89, as reported by the New York Bureau of Labor Statistics for 1889, only 114, or 1.2 per cent., were connected with apprenticeships. Of these 114, only 9, or 7.9 per cent., were successful, and 9 were partly so, while 47.1 per cent. of all strikes were successful, and 15.3 per cent. partly so.

An investigator previously quoted, Mr. Fischer of the New Jersey Bureau of Labor Statistics, truly writes: "As far as my observation extends,—and labor leaders are never tired of asserting it,—the only advocates practically of apprenticeships are the trades-unions, even though their reasons for doing so may be selfish,—the restriction or limitation of the number of journeymen."

The attempt of trades-unions in England to limit apprentices seems to be even feebler than in this country. That acknowledged authority, Mr. George Howell, thus concludes a thorough discussion of the English situation in his *Conflicts of Labor and Capital*:—

(1) The manifold rules and regulations of trades-unions do not materially interfere with the free admission of apprentices into the several trades of the country. (2) No dearth of workmen is caused in any of these trades by their restrictive action. (3) Apprenticeship is absolutely necessary for the purpose of acquiring a practical knowledge of a trade. Without this there can be no real guarantee for good and efficient workmanship.

It is in this gradually lessening number of trades where apprenticeship is still practicable and necessary for good workmanship, such as glass-working, iron-moulding, printing, hat-making, and some of the building trades, that some of our American trades-unions demand a thorough apprenticeship. This is in every way commendable. In connection with rules which require that the apprentice must spend a certain number of years, usually three to four, in learning his trade, and which protect both the employer and the apprentice during this time, our unions in some cases have other rules restricting the proportion of apprentices to journeymen in each shop. Thus the Horse-collar Makers' National Union allows one apprentice at least to every shop, and one to every seven journeymen, but not over three to a shop. Apprentices serve three years.

The general reasons for restriction of the number of apprentices are two,—to secure a thorough training of those who do try to learn and to keep up or raise wages by limiting the supply of skilled workers in a given trade. The first reason has

much force. If an employer can take as many apprentices as he chooses, he will often fill his shop with half-trained boys, and discharge higher-priced adults. Such action is demoralizing in many ways. Only half-trained men would ever be produced by this process.

As for the very few unions which go farther and restrict the number of apprentices beyond the point necessary to secure good training, probably no full defence can be offered; but there is much more excuse for this position than is commonly supposed. The workman is only imitating the trusts and combinations of capital, now so common for restricting output, and with more excuse; for the laborer is in more need of improvement of condition than the capitalist.

As long as there are idle competent workmen in a trade who are willing to work, as is said to be the case in the few very restrictive unions, it is natural to desire to prevent the bringing of others into the trade. The New York Bureau of Labor Statistics in 1886 found that there were then 3,710 apprentices and helpers to 7,599 journeymen printers in 1,255 establishments outside of the large city dailies. "The totals," says the report, "furnish reasons for the unions' attitude in regard to the limitation of apprentices, and make it easier to understand the deep-seated prejudice against the unrestricted employment of boy labor." When a trade is in an overcrowded condition, it might be better in the end for even the would-be apprentice to enter some of the many new industries constantly rising, with increasing wealth and wants. This will be no great hardship, for the children of workers in a trade often prefer another occupation.

I am told by a Philadelphia builder, and by Mr. McGuire of the Brotherhood of Carpenters and Joiners, that by organization and limitation of apprenticeship and admission to the union the bricklayers of Philadelphia have raised their wages within a few years from \$1.75 to \$3.50 a day. Mr. Hotchkiss, Labor Commissioner of Connecticut, tells the Social Science Association how by similar means the employees of a certain organized industry in his State keep their wages at \$3 and \$3.50 a day when wages for work of similar difficulty in unorganized industries are only \$1.00 to \$1.25, without apprecia-

ble increase in the price of the finished product. Many students of business conditions hold that nearly, if not quite, as many adults find employment in a trade where wages are high and apprenticeship regulated as where wages are low and any number of helpers are employed. Workmen cannot be expected to wait until the ideally best mode of raising wages is possible. They clutch at the first means offered. Trades-unionists are fond of saying that the professional classes are not in a position to throw stones in this matter; for they limit competition by raising the standard of admission to the bar, medicine, etc. To raise the standard of admission to a trade is declared impracticable, save in a partial degree, through apprenticeship rules. Limitation of number is the only very efficient restriction. But, whatever be the motives of many advocates of higher conditions for admission to the bar, the public would never sanction these conditions save as they produce better men.

Again, the habit of restriction is likely to lead workmen to realize the need of greatly restricting the immigration of those of a low standard of living,—a measure which nearly all American economists believe is of vital importance in elevating American labor.

Finally, we come to a brief consideration of the best way of securing that skilled labor which the apprenticeship system, through no fault of the unions, now fails to give. The only way seems to be through manual training in the public schools, followed by special trade instruction in private or possibly publicly endowed trade-schools. The folly of relying on apprenticeship, even if that were possible, was illustrated in returns from 362 workmen, in over 40 kinds of mechanical and manufacturing industries, published in the Wisconsin Labor Bureau Report for 1887-8. Only 130 report that their employers give sufficient encouragement to the apprentices in their employ, while 232 report a failure of the employers in this matter. A similar failure on the part of the employees is also there reported.

As an interesting illustration of how a trade-school may help to solve the problem of trade instruction, the following quota-

tion is made from the address made by Colonel Auchmuty a year ago before the American Social Science Association: —

We will take the plumbing trade, one of the most difficult of trades, and one which might more appropriately be called a profession, so varied is the knowledge and so great is the intelligence required. The plumber must know how to work with lead, iron, copper, and brass, and must understand the properties of these metals. He must know, for instance, that lead and iron pipe will not hold together; and, to make a tight connection, a ring or "ferrule" of brass must be inserted. In dealing with lead, he must be able to work sheet-lead in different forms and join two sheets together either with solder or, where a receptacle for acids is wanted, by a process called "lead burning." He must be able to join lengths of lead pipe by what are called "wipe joints." These joints are not easy to make. Let some "handy man" take a cushion in one hand, leaving two fingers loose, lest they may press too heavily on the joint, and hold in the other a ladle of molten solder, and proceed to join two pieces of pipe. He will find he has undertaken a difficult task. Then remember that these joints are made in all sorts of places, on the wall, near the floor, close to the ceiling, also that there are complicated branch joints, and the difficulty of learning how to make them will not seem less. Lead pipe, too, must be bent in various shapes so neatly that the bore is not reduced or the pipe split. The plumber must also know how to join lengths of cast-iron pipe by "caulking" or by "rust joints," according to the purpose for which it is to be used; and he must know how to cut, thread, and bend brass and wrought-iron pipe. Yet all this work can be "listed" under fifteen heads, as follows: 1. Lead seams; 2. Overcast joints; 3. Cup joints; 4, 5. Traps; 6. Horizontal branch joints; 7. Upright wipe joints on pipe placed at various angles; 8. Upright branch joints; 9. Wiping on a stop-cock; 10. Wiping a flange on a two-inch pipe; 11. Wiping on a ferrule; 12. Caulking; 13. Putting in an overflow pipe in a safe waste; 14. Cutting and threading wrought-iron pipe; 15. Bending pipe. At the conclusion of this course, fancy work is done by the more proficient.

When each of these fifteen exercises can be done well, the pupil is ready, so far as his manual skill is concerned, to put up fixtures; that is, to set and connect bath-tubs, sinks, etc., with supply and waste pipes.

But manual skill is only a portion of the qualifications the plumber must possess. Besides being able to join these fixtures and his pipes, he must know how to place them. He is dealing with steam which may scatter destruction and with gases that contain the germ of disease. Common sense would also tell us that this knowledge can be taught better and more surely in a trade-school than it can be learned by observation and experience in a workshop.

The claim of Colonel Auchmuty, as of another teacher of similar work, President Smart of Purdue University, given

in 1888 before the National Convention of the Bureau of Labor Statistics, is that a few months at a trade-school, followed by a few months' experience in actual work, will give any one of eighteen or nineteen years of age a better training than a four years' apprenticeship. In Colonel Richard Auchmuty's School on First Avenue, between 67th and 68th Streets, New York, there were 589 (1890-91) pupils in bricklaying, plastering, plumbing, carpentry, house, sign, and fresco painting, stone-cutting, blacksmith's work, and tailoring. This school has now been running ten years, at a net cost, above tuition fees, of several thousand dollars a year.

The Pratt Institute in Brooklyn had 51 day pupils and 201 evening pupils 1890-91 in its department of mechanic arts opened in February, 1888, where instruction was given in mechanic arts, carpentry, turning and pattern-making, forging, machine work, bricklaying, plastering, plumbing, house and fresco painting. The trade-school of the Philadelphia Builders' Exchange was opened in 1890 with 129 pupils, of whom 61 were in the plumbing department, 31 in bricklaying, and 21 in carpentry. The school graduated 63 in June, 1891, as follows: plastering, 3; painting, 2; stone-cutting, 3; blacksmith's work, 4; carpentry, 14; plumbing, 27; bricklaying, 9.

The Rindge School, lately presented to Cambridge, Massachusetts, and the Williamson Trade-school in Philadelphia, endowed with over \$2,000,000, are to be trade-schools, as distinct from manual training schools, where simply general dexterity and education of the whole being through training of the eye and hand are attempted. For thirty years Messrs. Hoe, of printing-press fame in New York, who employ 250 boys, mostly sons of their workmen, have had a night school for them. Then there is the Technical School of the Baltimore & Ohio Railroad Company at Baltimore, an account of which is given in the report of Dr. W. T. Barnard on "Technical Education in Industrial Pursuits." A similar school is said to be maintained by the Pennsylvania Railroad Company at Altoona, Pennsylvania. The Master Plumbers' Association of Philadelphia, Chicago, and Washington support plumbing schools in their respective cities. The number and success of technical and trade schools in Europe are well known. A tan-

ners' chemical school is to be established at Newark, New Jersey, by the Morocco Manufacturing Association. Just as all our States support professional schools for farmers, and some States in the West do the same for lawyers and engineers, so our State may be called on ultimately to support trade-schools for mechanics.

The movement towards industrial schools is evidently on the eve of great growth. What is to be the attitude of trades-unions towards such schools?

The unions are becoming more and more friendly to manual training, but seem to be somewhat suspicious of trade-schools, as likely to lower wages by increase of competition. Yet the opposition is not so great as commonly supposed, and is rapidly changing to support. Undoubtedly, Colonel Auchmuty's School has been much opposed; but it may have been partly due to a faulty method, on his part, of advertising the school as a means of dispensing with high-priced labor. He denies that he has ever thus presented his work; but in the *Century* for January, 1889, he thus wrote: "Living is made dearer, the poor are made poorer, by union rules. In nearly all callings where skilled labor is required, it can safely be asserted that a journeyman receiving \$4 a day and working with a trade-school graduate at \$2 a day could produce as much as two journeymen now do for \$8, a saving in cost of \$2,—25 per cent." No wonder that the unionist opposes any such effort to benefit the employer, or the consumer, at the expense of wages. Furthermore, it is sound economic policy for the worker to prefer high wages to merely sharing as part consumer of his products in the cheapness that might result from lower wages. But it is not likely that a general extension of trade-school instruction would in the long run lower wages. Rather, by imparting greater intelligence and skill to the wage-worker, such schools would the better prepare the way for strong trades-unions and increased productiveness.

That this is probable, and that the working classes will endorse manual training when rightly presented to them, is the belief of such able and well-informed labor-leaders as

Messrs. Powderly, Gompers, and McGuire. The following associated press despatch confirmatory of the above strikes my eye as this goes to press:—

Boston, September 23. An understanding in relation to trade-schools has been arrived at by the Master Builders' Association and the Bricklayers' Union. It is the first instance in the history of the labor movement in New England that a trades-union and an organization of employers have agreed upon this question. Trade-schools are to be established and opened evenings. All regular indentured apprentices are to be given instruction therein. None but regular apprentices shall be allowed to enter these schools. All pupils shall be given instruction in the theory and science of the trade they propose to learn.

Mr. W. H. Rand, of the United States Bureau of Labor Statistics, informs the writer that he believes the reason why European trades-unions now favor trade-schools, as they in fact almost universally do, while in America the majority as yet oppose them or do not actively favor them, is that in Europe the trade-school sessions are usually held at night and attended mostly by journeymen and regular apprentices. This seems to be the idea of the Boston arrangement just noted. As soon as our trade-schools cease to have the flavor among laborers of a capitalistic effort to reduce wages, and assume their rightful place as a means of effecting that very elevation of skill and thorough training which the apprenticeship laws now in vain urged by the workmen are designed to accomplish, a great popular support will come to these schools.

As an illustration of the present attitude of the English trades-unions, one may refer to the resolution of the British Trades-union Congress in September, 1885, which strongly indorsed technical education and trade-schools. Representatives of these British unions, notably Mr. T. C. Barnes, general secretary of the Glass Makers' Association of the United Kingdom, and Mr. George Shipton of the Amalgamated Society of House Decorators and Painters of the London Trade Council, advocated before a recent Parliament Committee even compulsory instruction of boys in their trades by trade-schools. Representatives of trade-schools rendered similar testimony to the friendship of unions. Also in the United States 72 replies, representing 10 trades, expressed in 1886 to the New

York Bureau of Labor Statistics a favorable inclination toward technical trade-schools: 37 replies, representing 13 trades, opposed them. In view of the newness of trade-schools in 1886, and the mistakes and weakness naturally resulting from youth, these replies were most encouraging.

To sum up, we have found no need of any fear lest our trades-unions unduly restrict apprenticeship, for many of the unions do not restrict at all; and, when they do, there are not usually anywhere near as many apprentices as the union rules allow. We have also concluded that technical trade-schools may do a vast deal of good in replacing, as far as the times require, the old-fashioned and now defunct system of apprenticeship, and that the unions are likely, if the manual and trade-school movement is judiciously handled, to come gradually to the approval of these schools.

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NOTES AND MEMORANDA.

At the close of the last session of Congress the Finance Committee of the Senate was instructed to institute an inquiry as to the effects of protective duties on prices. This inquiry has been fortunately put in the hands of Commissioner Carroll D. Wright, from whom results of interest and importance may be looked for. It will include an investigation of (1) the retail prices of 231 important articles between June 1, 1889, and September 1, 1891; (2) wholesale prices in important markets of the same articles for the same period; (3) wholesale prices "for as many articles as possible" from 1846 to the present; (4) changes in wages from 1846 to the present; (5) prices of leading imported articles for a long series of years. An endeavor will also be made to ascertain the quantity of each leading article that enters into consumption.

It is hardly probable that the inquiry will shed as much light on the particular subject which led to it—the effects of tariff legislation—as is commonly expected. But the new mass of material may be expected to be of the greatest service for the understanding of the economic history of the country, and for the settlement of some theoretical questions on money and the level of prices. No trustworthy tables of prices in the United States now exist, those of the Finance Reports of 1863 and 1873, and of the Treasury Bureau of Statistics in recent years, being palpably defective. Full and trustworthy figures will have a value for the economic student not to be overestimated.

STUDENTS of economic literature are under great obligations to Mr. Henry Higgs for the valuable article on Richard Cantillon, contributed by him to the *Economic Journal* for July. The remarkable paper in which Jevons called attention to the

neglected *Essai sur la Nature du Commerce*, in the *Contemporary* for January, 1881, had shown that Cantillon must have an important place in the history of the science, and that there was some close connection between him and the Physiocrats, notwithstanding the considerable interval between Cantillon's death and the rise of that school; but the precise character of this connection remained obscure. And as to the identity and personal history of Cantillon, Jevons, after all his industrious gleaning of the field, pointed out that the question as to the authorship of the *Essai* was not quite free from doubt.

To the case as it was left by Jevons, Mr. Higgs has now added a large body of information. The Mirabeau papers in the French National Archives have disclosed the use of Cantillon's *Essai* by the author of *L'Ami des Hommes*, and have made the connection with the Physiocrats clear, although Cantillon's influence upon Adam Smith, which Mr. Higgs suggests was probably in great part indirect, "through the Physiocrats," may still be doubted, the last word not having yet been spoken as to Smith's relation to the French school. But, with respect to Cantillon's origin, career, and character, and his connection with the social and financial movements of the wild time in which he lived, Mr. Higgs has brought together an unexpected collection of facts and documents, from which we get a vivid picture of the man and his dealings, giving fresh interest to the work by which he is best known.

CANTILLON'S *Essai sur la Nature du Commerce* in its original edition of 1755 is now scarce; and even the republication by De Mauvillon, in connection with Hume's *Discours Politiques* (Amsterdam, 1755, 5 vols.), is not always within easy reach of readers in this country. We are glad to announce, therefore, that a reprint of Cantillon's *Essai*, undertaken for Harvard University, and intended to be the first of a series of reprints from the less accessible portions of economic literature, is now in the press. The new edition will not be a *fac-simile* of the old; but it will present the text line for line, upon a page of similar size and proportions, and in type which preserves the

chief characteristics of the eighteenth century duodecimo. It is believed that such a reproduction will be welcomed by a large body of collectors and students.

THE German Empire has at last grappled with the difficulties which have arisen from the sugar tax and bounty, and has put the bounty system in the way of ultimate extinction. It will be remembered that the peculiarities of the situation arose because the excise on beet sugar was in the form of a tax on the raw beets; while the drawback on the export of sugar made from the beets was excessive, being virtually a bounty on exportation. The drawback, as fixed in 1869, was calculated on the assumption that it required twelve pounds of beets (exactly 11.75 pounds) to make one pound of sugar: whereas, in fact, the quantity of beets so required fell, in course of time, to ten, nine, eight pounds, and in recent years even to less than eight. The result has been that for the last ten years Germany has exported considerably more than half of her total product of beet sugar, and that the Treasury has lost, through the payment of drawbacks, a serious part of the sugar-tax receipts. Attempts were made to check this movement by reducing the drawback in 1883, and by increasing the beet tax, and still further reducing the drawback in 1886. By an act of 1887 a more radical step was taken. The excise was divided, being made partly a tax on beets at about half the former rate and partly a tax directly on the sugar-producer; while the drawback on exportation was reduced in proportion to the lower excise on beets. But two years' experience under this new measure, which went into effect in 1888, showed the need of still further change. Exportation continued in undiminished amount and proportion, the figures being in millions of metric hundred weight.

	<i>Total Product.</i>	<i>Of which exported.</i>
Year ending August 1, 1889	9.9	6.1
" " " " 1890	12.6	7.4

The drawback payments, consequently, continued to be enor-

mous. The gross yield of the beet tax and the payments on drawback account were, in million marks:—

	<i>Beet Tax Receipts.</i>	<i>Drawback Payments.</i>
Year ending August 1, 1889	63.2	54.1
" " " " 1890	78.6	65.9

If allowance is made for expenses of collection and disbursement, virtually the whole of the beet tax is seen to be swallowed by the drawback, leaving as net revenue only the yield of the other half of the excise, the tax on sugar.

Accordingly, the act of May 31 of the present year goes to the root of the difficulty by abolishing entirely the tax on beets. Hereafter, beginning August 1, 1892, the manufactured sugar alone is to be taxed. The rate is 18 marks per metric hundred weight, which means a reduction for German sugar-consumers, since the combined beet and sugar tax of 1887 was equivalent to about 22 marks. Sugar for export can be refined in bond, paying no tax and receiving no drawback. But, in order to tide over the period of transition for the sugar-makers, who have been relying so largely on foreign markets, a direct bounty on the export of sugar is to be granted for five years. That bounty, on the grade of refined sugar chiefly exported, will be:—

From August 1, 1892, to July 31, 1895,	1.25 marks per cwt.
" " " " 1895, " " " " 1897,	1.00 " " " "

On other grades the new direct bounty is similarly adjusted. Under existing legislation, the indirect bounty on the ordinary grades of sugar is supposed to be about 2.2 marks, so that the immediate reduction in the bounty is large. It remains to be seen whether other countries will follow the courageous example which Germany, single-handed, has set them. Both France and Belgium took measures in the course of 1890 for reducing their export bounties on sugar; and the financial embarrassments of the bounty system have been seriously felt on all hands. It is not impossible that, as the example of Germany was powerful in leading to the wide adoption of the bounty system, so it may be effective in leading to its abrogation.

THE TORONTO STREET RAILWAY.

What, so far as this continent is concerned, is a novel experiment, has been this year tried in Toronto, Canada. The city authorities assumed for a time the *management* of the street railway. The steps which led to the experiment and the details of the case are interesting from an economic point of view, as indicating a secondary stage in the development of this peculiar industry. *

In 1861 the legislature of Ontario passed an act incorporating the Toronto Street Railway Company, which at once began operations. It was thus one of the earliest charters granted to street railways in America. The charter, while not giving an absolute monopoly, provided that "if any other party proposed to construct railways on unoccupied streets, the chartered company should first have the option of constructing such railway on the conditions proposed, but, if such preference were not accepted within one month, the corporation might grant the privilege to other parties." This, however (with one unimportant exception), resulted in the chartered company always building such lines. The only returns to the city for the franchise were (a) an annual fee of \$5 on each car; (b) the maintenance of the road-bed between the rails and eighteen inches beyond on either side; (c) ordinary taxes.

The privilege was for thirty years, at the end of which time the city might "assume the ownership of the railways and all real and personal property in connection with the working thereof, at a value to be determined by arbitration"; and, on this right not being exercised when that period expired, it might be exercised at the end of any subsequent five years. These clauses have been the basis of a lawsuit by the company to compel the city to include in the arbitrators' award the value of the different properties, such as stables, yards, etc., not at their ordinary prices, but at their value for street railway purposes; that is, on the assumption that the franchise was perpetual. This suit is not yet settled.

Whether or not the Toronto of 1861 with its population of forty-two thousand was too small for successful street railway traffic, the company failed in 1869. Its franchise was then transferred to another company, which maintained control until the present year, when the city exercised its option of terminating the charter. The vagueness of the terms of the charter of 1861, and its silence upon many important points regarding the relations of the company to the city authorities,—points which could not be anticipated at that early date in street railway enterprise, but which became important on the rapid growth of the city after 1870, and the corresponding development on the part of the railway,—gave rise to serious differences and acute friction between the city and the company. Thus the maintenance of the company's part of the road-bed was a prolific source of complaint. At the instance of the city, acts were passed by the Ontario legislature, in 1876 and 1877, providing that the company should use the same kind of paving as that used by the city in the other part of the street, and that, if they failed to do so, the city engineer might do the paving, charging it to the company. This did not work well. Accidents occurred from the defective paving, and the city attempted to saddle the resulting damages upon the company. The company retorted that the adjoining road bed was inappropriate for car-track paving, and that in any event the responsibility of repairing such track, when defective, lay with the city engineer, who, after making the repairs, should then collect from the company their cost; and the company finally claimed \$10,000 damages from the city for permitting defective paving to continue unrepaired. The city in turn instituted a suit against the company in 1886. After prolonged legal proceedings, lasting some two years and a half, during which the case was decided in various ways by successive courts of appeal, the matter was finally settled in 1889 by an agreement that the city should maintain all the roadway, and the company should pay an annual rental of \$600 per mile of single track.

Another question of dispute was whether the company was obliged to provide, in addition to the driver, a conductor on every car. This also gave rise to a suit, which was carried up

through the courts with varying results. The company's conduct in piling the winter's snow and ice upon the adjoining roadway, its refusal to grant transfer tickets and to heat cars in winter, its treatment of its men, culminating in strikes with resulting discomfort to the public, were among the causes that continually directed attention from 1884 to 1888 to street railway matters, and proved the unyielding nature of the company. The citizens were goaded first into interest, then anger, and finally a determination to put an end to the franchise in 1891, when, as has been pointed out, the first opportunity of doing so presented itself. This conclusion might have been arrived at in any event; but public opinion could not have been so effectually aroused, and the wonderful unanimity displayed could not otherwise have been attained.

Accordingly, the Provincial Legislature of Ontario, at the request of the city authorities, enacted in 1889 that "the corporation of the city of Toronto may, with the consent of the rate-payers, borrow whatever sum may be required to enable the said corporation to acquire the ownership of the railways of the Toronto Street Railway Company at the expiration of the current term of the said company's franchise, and may issue debentures therefor, and may manage and operate the said railways, or (having acquired the said property) may sell, lease, or otherwise dispose of the same." In June, 1890, three arbitrators were appointed,—one by the city, one by the company, these two selecting a third. They were to determine the value of the property according to the conditions of the charter of 1861 and subsequent agreements. After a minute examination of claims, as argued by the best counsel of the Province, and extending over more than half a year, two of the three arbitrators (the company's appointee not concurring) agreed on a report, giving as the value of the company's assets \$1,453,788. This sum differed materially from the company's estimate of \$5,000,000 and the city's estimate of \$500,000, being very nearly a geometric mean, three times the one, one-third the other. In making their award, a majority of the arbitrators decided against the company's claim of a perpetual franchise,—a claim founded upon the clause of the charter of 1861, quoted near the beginning of this paper.

The finding of the arbitrators was handed in on April 15, 1891. The thirty years of the old agreement had expired on the previous 15th of March. That date found the city fathers quite unready to assume control; so that the old company was allowed, on the same conditions as before, to continue till May 15. But, when the city had fully determined, nearly two years before, to end the company's charter in 1891, why was it not ready when the time came? Partly because the arbitration dragged on to an unexpected length, and its results were necessary before tenders from new companies could be advertised for; partly because the city authorities, expecting to hand the road directly to a new company, did not perfect arrangements for civic control until too late. This was not the fault of the advocates of municipal management, who, not being remarkable for reticence in expressing their opinions, and being supported by some workmen's clubs and the single tax association, seemed for a time to have an importance that the sequel showed they did not possess.

On the advent of warm weather, bringing with it the lucrative season of street railway traffic, the popular demand for the displacing of the old company became too strong to be withstood. Accordingly, on May 20, a committee of the city aldermen, after a certain amount of legal skirmishing with the defunct company, took possession of the street railway property. The former employees were retained, and the former manager was made head of the new civic department, under a Street Railway Committee of the City Council. As the old conditions were retained in every respect, it was not long before discontent arose. Employees expected shorter hours now that the city was managing the road; citizens looked for a better service, a system of transfers, and many minor improvements. Accidents happened, and suits for damages were brought against the city. Some observers thought that repairs were not kept up as well as formerly, and the Toronto press darkly hinted at aldermanic favoritism and jobbery. Some went so far as to say that, if the city did not soon dispose of the franchise, it would have a worthless franchise to dispose of. Yet, in truth, the returns were as great as in former years, and accidents no more frequent, the head of the

new department, the former manager of the old company, testifying to the similarity in repairing and managing the road. Nevertheless, the public became distrustful; and it is tolerably certain that few rate-payers regretted it when on September 1 the street railway and its responsibilities were handed over to a new company for a term of years.

The negotiations by which this transfer was brought about are interesting to the student of civic politics. In advertising for tenders, the city council attached several "conditions of sale," which are important from an economic point of view as indicating the position assumed by the municipality after mature deliberation. These conditions were:—

1. The franchise offered was (subject to the italicised portion of the next section) to be a *monopoly* of surface street railway traffic for a period of twenty years, renewable on the same terms for a further period of ten years if the legislation necessary could be obtained. The "perpetual franchise" difficulty of the old charter was expressly guarded against. The tenderers were to pay the city for the property the same sum that the city paid the old company.

2. The city was to maintain the whole roadway, but not the rails and substructure required for the railway; the tenderers to pay the city annually \$800 per mile of single track, to obtain the city engineer's consent to any change or extension of track, *to extend any line, when asked to do so by the city, on pain of having the city grant the construction and operation of such extension to another company*, and gradually to introduce an electric or other new system of motor.

3. Removal of ice and snow from the track, a system of transfers, the providing of conductors on all cars, the heating of cars, and so on, were provided for; so that the painful experience of former years has borne fruit.

4. Last, and perhaps most interesting, were the provisions for treatment of employees and for cheap tickets: "No employee shall be compelled to work in the service of the railway for a longer period than ten hours per day, or than sixty hours per week, or on more than six days per week; and no adult employee in the service of the railway shall be paid less than fifteen cents per hour." No Sunday street-cars should

be run until a popular vote called for them. As to tickets and fares, it was required that there should be: (1) ordinary tickets, five cents each, six for twenty-five cents, or twenty-five for \$1; (2) workmen's tickets, good from 5.30 A.M. to 8 A.M. and from 5 P.M. to 6.30 P.M., eight for twenty-five cents; (3) school-children's tickets, good from 8 A.M. to 5 P.M., except Saturdays, ten for twenty-five cents.

These points were all matters for keen discussion, and were finally adopted by good majorities. Thus the provision for workmen's tickets was embodied in the committee's report, was referred back to the committee by the council, was the subject of much comment by the city press, was returned by the committee to the council, and, after the defeat of amendments to strike it out or to substitute seven or nine in place of eight tickets, was finally adopted by a vote of twenty-two to twelve.

After arranging the foregoing specifications, the city advertised for tenders in accordance with them. They were to take the shape of so much per cent. of the gross receipts from all sources of revenue of the street railway system, or the tenderers might submit offers on their own terms. Not receiving suitable offers at first, the committee advertised again, and on May 27 opened the three tenders received. Two of the tenders were based on the *city providing the money to change the present "horse" to an "electric" system*; and, as the city discovered that the legislation of 1889 had not given it this money-borrowing power, but only power to buy the old railway system as it stood, the committee called on the tenderers to amend their offers. This they did; and the three tenders, known respectively as the Kiely, the Kerr, and the Miller tenders, were on the 30th of June submitted to experts. Public interest was now thoroughly aroused. The newspapers of Toronto arrayed themselves on one side or another. Every citizen had his opinion. It was soon seen that the Miller offer was not so good as the others; and, accordingly, the strife between the Kiely and the Kerr supporters became all the keener. About this time the charges and counter-charges of "undue influence" and "corruption," to which reference will presently be made, began to assume definite

shape. On July 13 the experts brought in their report on the tenders, to which we shall now turn.

The tenders, while intricate in some of the alternatives presented for consideration by the city, had many features in common. Accepting *in toto* the conditions laid down by the city and quoted above, all the tenderers offered a percentage of the gross annual receipts, that percentage increasing as the receipts increased. The details can be best presented in tabular form, thus:—

	Miller.	Kerr.	Kiely.	
Up to \$1,000,000.	7	7½	8 per cent.	
From \$1,000,000 to \$1,500,000.	8½	8½	10 " " on the additional \$500,000	
" 1,500,000 " 2,000,000.	10½	9½	12 " " " 500,000	
" 2,000,000 " 3,000,000.	15	10½	15 " " " 1,000,000	
" 3,000,000 " 5,000,000.	23	13½	20 " " " 2,000,000	

The Kerr tender offered at the same time to increase the above tender by five-sixths of one per cent. for each two and a half per cent. that operating expenses fell below sixty per cent. of gross receipts, until fifty per cent. should be reached. (The gross receipts of the street railway in 1890 were about \$730,000, and the operating expenses were probably about seventy per cent. of the whole.) The experts estimated that the capitalized value at the end of thirty years of the amount receivable by the city under the foregoing tenders was: Kiely, \$9,530,000; Kerr, \$8,850,000; Miller, \$8,728,000.

Each of the tenderers put in numerous and widely differing alternative provisions. Thus Kiely offered, if the workmen's tickets clause were struck from the specifications, to pay the city two per cent. additional on the amount of the gross receipts; while Kerr offered, if both workmen's and school children's cheap fares were abandoned, to increase his bid by two and five-eighths per cent. of the gross receipts. Each tenderer also presented offers in case the city would guarantee some or all of the street railway bonds.

The experts brought in their report on July 9, and on July 13 the street railway committee recommended to the mayor and aldermen the adoption of the Kiely tender as the best straight offer. The contest then became warmer than ever. Charges of "crookedness" were openly made. A section of the council maintained that none of the offers were good

enough, that the street railway was progressing very well in the hands of the city officials, and that new tenders should be called for. Nevertheless, on July 21 the council by a vote of 24 to 14 decided in favor of Kiely, and on August 26 by an increased majority determined on the consummation of the contract. An injunction that had been applied for to prevent the city authorities handing over the railway till the charges of corruption had been examined into came to naught. Accordingly, on September 1 the new charter embodying the above provisions was signed, the bonds were transferred, and the road was handed over with all due formalities to the Kiely syndicate.

ARTHUR H. SINCLAIR.

TORONTO, September, 1891.

THE RESIDUAL THEORY OF DISTRIBUTION.

Having long known and admired President Walker's economical writings, I could not possibly suppose him to be hostile to trades-unions. Nevertheless, the general theory of distribution expounded by President Walker in the *Political Economy* and in the pages of this *Journal* seems to me capable, without any wresting, of an interpretation which might be used to "deter workmen from taking action for themselves."

In April, 1888, President Walker wrote in this *Journal*,* —

If, then, it can be shown that, in the distribution of the new product, three of the shares are naturally limited, so that not one of them need increase or, under perfect competition, will increase merely because the product has increased, we are entitled to call the remaining share, which receives the whole gain, residual.

The force of the contrast certainly seems to imply that the remaining share (or wages) need and will increase simply because the product has increased. And in the *Wages Question*,† "Wages are paid out of the product of *present* industry."

* Vol. II. p. 284.

† Chap. VIII. p. 125.

These two dicta, taken together, seem to convey that, when the workmen increase the product, they will get the increase for themselves, not in the long run, but at the time of making, and "merely because the product has increased."

No doubt we are reminded that this will only happen "under perfect competition," and that competition is perfect between masters and workmen only when the latter are sharply looking after their own interests. But, by the premises, all that is needed to secure the increased product to the workmen would seem to be that the employers for their part shall be towards one another in a state of perfect competition. For, if the workmen in a particular industry or under a particular master are getting less than what they could extort when combined, would not the profits of the employers concerned be higher than those of others, and therefore be certain to be reduced by rival enterprise? So long as not all, or even the majority, but only a fraction of the working classes were strong enough to exact wages that left only minimum profits (however these are to be determined), the other workmen might trust to the forces of the market to fight for them.*

The relation of President Walker's views to the older theories seemed to me to be defined most expressly in the following passage:—

While wages must in any philosophical view of the subject be regarded as *paid* out of the product of current industry, wages are to a very considerable degree in all communities *advanced* out of capital, and this from the very necessity of the case.†

By the "philosophical" view is presumably meant the view that has regard to first origins and ultimate issues. If so, it may be philosophical to regard wages as paid out of what once was a present product; but it is hardly so to regard them as paid out of what is now (at the time of payment) the present product; yet this last is expressly said in the two passages already quoted.‡ By "paid" may be meant "repaid"; and in this sense early and late theorists would assent to the prop-

* Compare *Wages Question*, pp. 158, 159.

† *Wages Question*, p. 131. The italics are the author's.

‡ Namely, *Wages Question*, pp. 128, 131.

osition with cordiality. The most "orthodox" have never denied that wages are paid out of what once was a product. They have never considered capital to be made out of nothing. But the distinctive feature of President Walker's theory, in its full development, is not this ancient verity, but the attribution to the wages-earner of the position of residual claimant; and the question is whether this principle does not bear two applications, one of which, as above described, seems to be as logical a deduction from it as the author's own, but, unlike the author's, is consistent with a policy of inaction on the part of the workmen.

As to the principle itself, it seemed to me to involve an "apparent" (by which I meant *evident*) inversion of the relations of employer and employed. President Walker does not lessen the paradox by suggesting that the workman is to the employer as the landlord is to the tenant. We should certainly be tempted to infer that, as landlords get more by simply waiting for it than tenants get by the same policy, so workmen are to be supposed to get more by simply waiting than employers. On the other hand, he certainly lessens the paradox by conceding that "the laborer's wages are stipulated in advance, and indeed this is of the very essence of wages."* He does not really quarrel with the familiar doctrines that wages are paid out of the product of past industry, and the employer's profits out of the product of present industry, while the "residual claim" is to an estimated future product, of which the workman only secures the lion's share if he is stronger than the employer. But, while many of us would call the past product "capital," President Walker would call it present product, if only in a philosophical sense.

JAMES BONAR.

AUGUST 8, 1891.

* In this *Journal*, vol. v. p. 421, July, 1891.

THE LANDED THEORY OF PROFIT.

I have read with great attention the interesting discussion which has been carried on in this *Journal* upon the burning question of profit and capital. Having given long study to the matter, and having published upon it a work which has excited much discussion in my own country and to which Mr. Bonar called attention in the number of this *Journal* for October, 1890, I desire to say a few words upon this subject. I shall write very briefly, not because there is little to say,—far from it,—but in order not to abuse your hospitality.

Although I have a lively admiration for the distinguished talent and the dialectic power of Dr. Böhm-Bawerk, who is one of the glories of European science, I think at the same time that the method followed by this eminent writer in explaining profit cannot carry us to the bottom of the problem. Certainly, the basis of his reasoning cannot be refuted. Without doubt, when he says that present goods have a greater utility than future goods, and that no one would give goods of the first class in order to obtain an equal quantity of goods of the second, he states truisms which none would be so hardy as to deny. There is no question that he who gives present goods for future goods will decide upon this exchange only with the certainty of obtaining more goods than he gives; that is to say, of gaining profit. But the problem, in my opinion, is much deeper. What concerns us—in fact, what shocks us—is that a man should be deprived of present goods, while another has them to satiety. What we have to explain is why there are individuals who are constrained to beg for present goods from those who have an excess of them,—the reason which divides humanity into two great classes, of which the one deprived of option must labor all their lives for a meagre pittance, while the other who do nothing pocket comfortable incomes. Is this division a necessary product of human nature, or is it the result of historic factors which evolution can and will efface?

The study of this question leads me to affirm that the truth is found in the second alternative; and it is especially to re-

searches in the economic development of the United States that I owe this conviction. In fact, the study of this marvelous development has shown me that, so long as there is free land which can be cultivated without capital, profit is impossible; for there is no laborer who will work at the will of the capitalist while he can establish himself on his own account upon land without value. Under these conditions, the natural economic arrangement is the free association of the producer of capital and of the simple laborer, who work together and divide the product in equal shares. This is the arrangement which I call the mixed association, and which directly excludes profit. If in this economic phase capital desires to gain a profit at whatever cost, it can do so only by reducing the laborer to slavery, suppressing by means of violence and chains the free land to which labor owes its strength and liberty. But, when with the continual increase of population all the lands which are cultivated by labor alone are occupied, the laborer loses the option which formed his defence against the encroachments of capital. Then, truly, the laborer has no other means of living except to sell his power of labor to the capitalist for such wages as it pleases the latter to grant him. Then, truly, he is obliged to abandon to the capitalist the best part of his product, or to leave a profit to capital. Profit, then, is only the corollary of the lack of free land, which takes away from the laborer all option and establishes economic servitude.

All Americans who know the history of their enchanting land will readily recognize that it gives a striking illustration of these views. They will recall the narratives of the first epoch of the United States, which paint to us this happy country peopled by a noble class of independent laborers, totally ignorant of even the possibility of capitalistic property. They will recall the letters of Washington, which tell us of the impossibility for the farmers of obtaining any revenue from their land if they did not labor themselves with their laborers. They will no doubt repeat the words of Parkinson, of Strickland, and of all the Europeans who travelled in America in the eighteenth century, and who wondered at this strange country where money *ne faisait pas de petits*. They

will then and at the same time comprehend the historical necessity of slavery as the only means of obtaining a profit in the epoch of free land, and they will explain without difficulty the obstinacy of the Southern land-holders in defending an economic system so little productive and so troublesome for the capitalist himself.

But the landed theory of profit does not limit itself to explaining an economic system belonging to distant ages: it explains also more recent facts. Why, for example, has capital pursued, during the whole century, a series of methods, costly, annoying, and hindering production, in order to reduce the rate of wages? Was it not irrational to reduce wages by methods which reduced the product in a still greater proportion and must reduce profit? No, replies the landed theory. The land was not yet all occupied: there were still free lands, of which the cultivation, it is true, could not begin without capital, but which did not require a very considerable capital. If, then, the laborers could accumulate this capital, the possibility of removing to free land revived for them; and with it revived their option, of which cessation of profit would have been the necessary product. It was then a *conditio sine qua non* of the persistence of profit and of capitalistic economy that wages should be reduced to a minimum, which did not permit the laborers to save; and it was then only too natural that capitalists should seek every means for reducing the wages of the laborer to the bare necessities of life, although the means for this end should hinder productive forces in the most unfortunate way. It is in this way that are to be explained a whole series of capitalistic devices, such as the introduction of machines costing more than the laborers that they displace, the increase of unproductive capital engaged in banking operations, upon the exchange, and in the public debt, the excessive number of useless intermediaries, and the like. All these devices resulted in diminishing productive capital, and therefore capital spent in wages, and therefore in keeping wages at the minimum, or very near to it.

The landed theory of profit explains many other interesting facts,—such as American protectionism, the evolution of the financial system of indirect taxation instead of direct, and

others, which I must pass by with regret, but which the intelligent reader will easily find by his own observation. Many conclusions which escape us at present will be drawn from this theory, when economists shall have comprehended that the key of economic science is to be found in the analysis of landed property, and shall have consecrated to this subject the conscientious study which it deserves and for which it has waited from the time of the immortal works of Ricardo, of Wakefield, and of Von Thünen. Until then we shall have nothing but interesting scientific disquisition, which will glide with elegance over a narrow polished surface, without suspecting the existence of the mysterious depths and the vast abyss which lie beneath.

ACHILLE LORIA.

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THE STATICS AND THE DYNAMICS OF DISTRIBUTION.*

I am indebted to President Walker for his candid criticism of my theory of Distribution. It is based on certain misunderstandings that can be wholly removed by a more extended statement of the theory itself. What I have not made clear to my eminent critic is the fact that the study lately published in this *Journal* was essentially limited to the statics of the subject. Dynamic influences, such as those to which he calls attention, could not be studied in the same connection without defeating the purpose of the article.

By the term "static" there were designated, in the recent paper, certain forces that do not require any change in the structure of society in order that they may operate. Society is a thing of life and growth. It is in one condition to-day, and will be in a different condition a few years hence; but through the whole series of such changes certain forces will work. If we were to stop the evolution at any point and hold society for a decade in a stationary state, these perma-

* Referring to an article on "Distribution as Determined by a Law of Rent," in the number of this *Journal* for April, 1891, which was criticised by President Francis A. Walker in the succeeding number.

ment forces would act through that period as they were acting at the moment of arrested growth. Other forces are dependent on change itself. They act transiently and often locally. As alterations are continually occurring in different parts of the social structure, dynamic forces are always in action; but each particular one acts briefly, and all would soon cease to operate at all if the form of the organism were to become fixed.

It was the aim of the recent study to isolate the static forces, and determine their separate effects. It will be the object of the later study to which in the article reference is made to isolate and separately measure the dynamic forces. A merging of both sets of influences gives a composite result in which it is impossible to clearly distinguish the effect of either. A failure to separate the two sets has baffled many a vigorous effort to attain the laws of distribution.

The method used in separately studying the static influences that determine the apportionment of the social income was the creation of an imaginary period in which they might have the field to themselves. In the words of the article:—

Five changes of social structure need to be excluded, if society is to be reduced to a static condition; and by a use of the scientific imagination we will exclude them, and create that state. These are: first, changes in the character of social wants; secondly, changes in the mechanical processes of production; thirdly, alterations in the mode of organizing industry; fourthly, shiftings of labor and capital from place to place within the system; and, fifthly, increase or diminution of the amounts of capital and labor in existence. The movements in which the dynamic quality of actual society consists would respectively be brought to a stand-still if we should in some way make human wants constant in character and degree, arts unprogressive, modes of organization stable, the magnitude of different industries normal and permanent, and the total amounts of labor and capital fixed. We must in this way create for our own purposes an imaginary state, in which for a time social forces and relations are stable. Yet we make in this way a study that is completely realistic, since the static forces are dominant in the world of actual business. We isolate them, in order that we may know their nature. In the end,—though not in this article,—we shall take account of all essential changes that in reality take place, and attain the dynamic laws of distribution.*

*Page 290 of Volume V. of this *Journal*.

If the full scope of the changes here specified be realized, it will be seen that the influences to which President Walker calls attention fall within the enumeration. They are, for a purpose, excluded from the present field of view. To have traced the parallel enlargements that actually take place in the working force and the capital of the world would carry the inquiry prematurely into the dynamic division of the subject; and to have inquired whether these two movements make general industry more fruitful would have transferred the study to the department of production.

It is a part of the theory advanced that "pure profit," or that which a business man gains over and above all reward for his personal labor and his capital, is dynamic in its origin. It comes into existence after one or more of the changes above cited. I cannot here undertake to prove the correctness of this view: some proof of it was given in an earlier study.* If the view is correct, pure profit would not exist under static conditions. In any case, the treatment of this element, the importance of which the writer would estimate as highly as does his critic, was expressly deferred, in order that it might be included in the part of the theory that is to deal with distributive dynamics. The remaining or static shares of the social income are the earnings of labor and those of the instruments of production—the tools, materials, land, etc.—that may be grouped under a comprehensive use of the term "capital." If social progress were to stop, men would still work and use land and tools. Wages, on the one hand, and the interest on all productive wealth, on the other, absorb the static part of the social income; and this is the whole of the income existing in the case that we now study.

The theory maintains that wages and interest are in their nature surpluses, or differential gains akin to the rent of land. For a special purpose they were provisionally termed rents, though it may well be that in the end another term will be used, as indeed the article itself intimates. It was desirable, in demonstrating the nature of wages and interest, to use a

*In a book called *The Modern Distributive Process*, by Giddings and Clark, and earlier in the *Political Science Quarterly*.

familiar Ricardian formula; and this could best be done by keeping the traditional term.

The familiar mode of showing that the rent of land is a differential gain is to take a field so large that, in practice, it would be tilled by a number of men, and then in imagination put the men into it, one at a time. The first man then produces more than the second, the second more than the third, while the last man produces less than any of the others. Each man gets in wages as much as the final man produces. The surplus that each of the earlier workers creates, over and above his wages,—or over and above the product created by the final man,—goes to the landlord. The rent of the field is the sum total of these surpluses created by the earlier workers in the series.

Now, the rent of a field is a static income. It would continue forever if the field were always to be tilled by a fixed number of men under otherwise stable conditions. The land of the world that now yields a rent would continue to yield it if the population of the world were to stop increasing and migrating. Yet the Ricardian way of demonstrating the nature of such a rent would be to introduce a bit of imaginary dynamics. Introducing men into a field one at a time is going through a rapid succession of imaginary changes in this industrial group, for the sake of understanding the character of that static condition to which such a series of changes would lead. It is the static element, the rent that the field affords when tilled by the full number of workers, that is from the first the subject of the study. The imaginary changes that reveal the nature of this income are not to be confounded with the actual enlargements of population that take place in the world.

In the ideal case, the enlarging force of men in a field of limited size is subject to a law of diminishing returns. The products created by the workers diminish in the order of their supposed arrival. For a field limited in extent substitute a capital, in land and other things, that is fixed in amount, and is used by more and more workers, and the same law will operate. The increasing labor force will get diminishing returns. The first man will produce more than the second,

and the last man will create the least of all. The sum of the surpluses created by the earlier men, over and above the standard furnished by the last, is the total rent of the fund of capital. In short, all that in the current Ricardian formula is asserted of a limited area tilled by an enlarging force of men is true of a limited equipment of productive wealth in all its forms, utilized by a similar enlarging force. In a static condition, capital, like land, earns a surplus, or a sum of differential products.

In a static condition, labor earns a similar surplus. We prove this by changing the bit of imaginary dynamics that in the former case led up to the stationary state. We leave the working force fixed in amount, and introduce units of pure capital one at a time. These units of capital now get diminishing returns. The first creates more and the last creates less than any of the others. Each earlier unit produces a surplus over and above what is created by the last, and the sum of these surpluses is the total product of the labor. Wages are in their nature akin to rent.

If both of these agents of production were to continue forever unchanged in amount, both would earn rents. There would be no actual enlargements of either to suggest the nature of these surpluses; but the nature of them could be demonstrated by going through the imaginary operation of introducing first one agent then the other into the field by gradual enlargements, leaving the companion agent, in each case, fixed in amount.

President Walker finds a formal error in the supposition that the law of diminishing returns operates from the beginning. Two men in a large field would produce more than twice as much as one, since they would join forces and introduce division of labor. The case would show an early period of increasing returns.

The failure to recognize such an early period has, of course, only a formal importance, since the applications that are to be made of the law are confined to later periods; but would there be any such period *in the assumed conditions*? The combination and division of labor to which the increased returns are attributed constitute a dynamic influence that is not

recognized in the supposed case. It is expressly excluded from the conditions of the ideal society that we create. The transition from a state in which one man works alone to a state in which two work together and exchange services or products means a more radical change in the constitution of society than can ever be made at a later date. It falls under number three in the list of dynamic influences that are specified and that are supposed, for the time being, not to operate.

In an actual society, with a fixed area of land and an enlarging population, the law of diminishing returns would be concealed during the earlier stages of growth. The effects of it would be more than counterbalanced by those of another influence, namely, organization. The concealed effects would exist even in that case. The resultant increase in the productiveness of industry due to organization would be less than it would have been if the product had not been reduced by incipient world-crowding. Two opposite influences—organization, which enlarges the product, and incipient pressure of population on the soil, which reduces the product—are, in primitive societies, in action together. The greater force conceals the action of the smaller. The resultant of the two forces is an increase in production. The smaller force is not absent because its effect is disguised. In our assumed case we have stripped off the disguise. We exclude the action of the second dynamic influence, organization, and let the world-crowding reveal its full effect.

In the effort to give to a new and comprehensive theory a condensed statement, some misunderstandings were nearly unavoidable. The particular misunderstanding that is the basis of President Walker's chief criticism is radical and unexpected. He attributes to me a view that I should condemn in sharper terms than, in his considerate comment, he has chosen to use. This view is that capital and labor may increase together, and that both may, during the process, create diminishing returns. He questions the correctness of the view that, as he expresses it, "both capital and labor are, in their general course, subject to a law of diminishing returns"; and the context shows that the general course referred to is the increase of both of these agents that is actually taking place in the world.

He asks how it can be that "two forces, each of which, by the very nature of things, acts, as it progresses, at a diminishing rate, shall yet, by being compounded, produce results which not only do not diminish, but actually increase from term to term." It certainly cannot be. The static income that is under consideration is the sum of wages and interest, and the components cannot be reduced without lessening the sum. Under the circumstances the components would not diminish.

I have not said that labor and capital simultaneously create diminishing returns. What was said in the recent article was that, if labor increases *while capital remains fixed in amount*, the labor will create a diminishing product. It was also said that, if capital increases *while the working force remains fixed in amount*, the successive increments of capital will create lessening products. The law operates when the relative amounts of the two factors of production change. A proportionate increase of both factors annuls that condition. If capital and labor increase together and at the same rate, they will get stationary returns: each man will find his wages unchanged, and each dollar's worth of invested wealth will show, in so far as this influence alone is considered, an unaltered gain. If both agents of production increase, but at different rates, the effect will be the same as if one were fixed in amount and the other increased more slowly. The one that increases relatively to the other will experience a diminution of its product. A simultaneous reduction of both products from this cause is impossible. I am happy to regard what President Walker has said on this point as re-enforcing my actual theory rather than as opposing it.

Conceding that two men with one spade between them would do less than twice as much as one man with one spade, my critic inquires why, in the illustration, we do not "let each man have a spade to himself, and then inquire whether the per capita product diminishes as the number of laborers increases." The answer is now plain. The illustration suggested would not have revealed the nature of rent. We are studying the surplus created by a fixed amount of capital when used by a fixed number of men. The Ricardian mode of analysis goes through an imaginary process of introducing

the men one at a time. Introducing both agents gradually and at a uniform rate would not reveal the nature of the surplus. It is necessary to call attention to the fact that in the recent article the illustration actually used was not that of an enlarging number of workmen using one spade. That would indeed have been a "much wronged" implement. The men were made to use a fixed amount of "pure capital"; but the forms of the capital were diversified according to the workers' needs. If the first man had one good spade, the two men who followed him would have two cheaper and less efficient implements, representing a like amount of invested wealth. The per capita returns would then be reduced.

President Walker inquires why, as labor and capital actually increase together, we should not

hope to discover a great deal more of the truth of the matter by assigning to each laborer a spade, an axe, a hammer, a loom, or a fishing-rod, according to his avocation, and then ask whether, aside from the effects of diminishing returns in agriculture, due to the chemical limitations of the soil, an increase of labor (properly distributed over all the avocations practised in the community) will result in a diminishing or in a stationary or in an increasing per capita product?

In so far as diversifying the forms of the capital is concerned, our inquiry has taken this element into account. We proposed to give to our workers implements as well adapted to their needs as was possible without a change in the total amount of invested capital. An inquiry concerning certain things that will happen if the amount itself shall increase will be germane to the later study referred to. That study will range over a still wider field, and consider the effects of organization and mechanical invention. It will aim to follow the effects *on distribution* of all of the greater dynamic influences that will act in that unified workshop of the future into which the world may resolve itself. It will not study the effect of those influences on production as such. Though evolution should change the earth into a paradise for productivity, there must always be a division of a certain part of its fruits between labor and capital. That division must be effected by static law. It will conform, as the recent study

would claim, to the principle of differential gain that is at the basis of the Ricardian law of rent. In the process of attaining that law we cannot study the great dynamic influences. In general, these influences make the social dividend larger, leaving the relative amount of wages and interest to be fixed, as long as competitive law shall rule, in accordance with the principle that we have analyzed.

In the traditional order of inquiry, a study has been made of the relation between labor and capital on the one hand, and land on the other. During a century of vigorous scientific work this mode of research has not afforded a law of wages and interest that has met with general assent. The rates of wages and interest depend, not on the relation of labor and capital to land, but on the relation of labor to land and all other capital. The demarcation to be made is between man and his whole instrumental environment. If the labor factor shall outgrow the environment, it will suffer in the apportionment. Dynamic influences may then do their best to make industry fruitful: we shall still hear of the claim of a laborer to a *relatively* larger share of the social income. In this view, it will hardly suffice to recognize the fact that labor and capital increase, in a general way, together. The two rates of increase cannot be equal, and the difference may be of vital consequence. On the relative rapidity of the growth of capital and labor depends the ethical quality of future distribution.

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NORTHAMPTON, MASS.

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